



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 27 May 2015

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PUBLIC AUDIT COMMITTEE

10th Meeting 2015, Session 4

CONVENER

*Paul Martin (Glasgow Provan) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

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

*Nigel Don (Angus North and Mearns) (SNP)

*Colin Keir (Edinburgh Western) (SNP)

*Stuart McMillan (West Scotland) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*Drew Smith (Glasgow) (Lab)

David Torrance (Kirkcaldy) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Mick Duff (Audit Scotland)

Caroline Gardner (Auditor General for Scotland)

Alasdair Hay (Scottish Fire and Rescue Service)

Mark Roberts (Audit Scotland)

John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy)

Pat Watters (Scottish Fire and Rescue Service Board)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Public Audit Committee

Wednesday 27 May 2015

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Paul Martin): Good morning. I welcome members of the press and public to the 10th meeting in 2015 of the Public Audit Committee. I ask all those present to ensure that their electronic items are switched to flight mode so that they do not affect the work of the committee.

Agenda item 1 is a decision on taking business in private. Do members agree to take items 6 and 7 in private?

Members *indicated agreement.*

Further Devolution (Accountability and Audit)

09:30

The Convener: Agenda item 2 is on accountability and audit. The committee will take evidence from the Scottish Government on accountability and audit arrangements for the proposed further devolution of powers to the Scottish Parliament. Written submissions on the issue have been provided to members.

I remind members and witnesses that we are tight for time this morning. I would appreciate short and succinct questions and answers.

I am delighted to welcome John Swinney, the Cabinet Secretary for Finance, Constitution and Economy, and, from the Scottish Government, Stephen Sadler, team leader in the elections and constitution division, and Aileen Wright, the deputy director of finance. I understand that the cabinet secretary wishes to make a short opening statement.

The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney): I welcome the opportunity to discuss the audit and accountability arrangements for the further devolution of powers following the Smith commission's recommendations.

As I indicated in my letter of 5 May, it is important that appropriate and robust arrangements are put in place to support the new powers and responsibilities and to allow the Scottish Parliament and its committees to hold to account those who collect or spend public money in Scotland. The committee's consideration of what those arrangements should look like is as timely as it is important, as we await the publication of the United Kingdom Government's Scotland bill later this week. More work will be required in the coming months to develop audit and accountability arrangements at the same time as we discuss and develop the detailed proposals to devolve the powers themselves.

Since the publication of the draft clauses, we have been working with the UK Government to ensure that the Scotland bill delivers the substance and the spirit of the Smith commission's recommendations. We have offered comments across a range of the subjects covered with the aim of developing legislation that the Scottish Government can support. There is, however, some way to go to achieve that. The recent Devolution (Further Powers) Committee report concluded that, although the draft clauses achieved their aim in some cases, in other areas

they fell short. Once we see the bill, we will be able to assess how far the UK Government has taken on board the range of comments that have been received since January. We will also have a firmer basis on which to take forward the work to develop the necessary audit and accountability arrangements.

The transfer of powers to be delivered through the Scotland bill will have implications for a range of organisations that will, in the future, be accountable to the Scottish Parliament. The work to put in place appropriate arrangements to reflect that development will need to continue alongside parliamentary consideration of the bill's proposals, both at Westminster and in this Parliament. The committee's consideration of those issues and its eventual report will help to ensure that the UK Government and the bodies concerned give the issues the prominence and attention that they deserve.

The Scottish Government's approach will be to ensure that the audit and reporting arrangements that are put in place enable this Parliament to scrutinise satisfactorily the use of the transferred powers and what is spent on them. We will take a pragmatic view, seeking to build on existing experience of what works well, and that view will be informed by the comments of the committee and Audit Scotland.

It is important that, whatever the specific arrangements are for individual bodies, they are clear, consistent and transparent in terms of responsibilities and reporting. Where bodies have an established relationship with the Government, there will be existing frameworks for accountability and audit. Where it is clear that those arrangements work, we will build on them in a proportionate way that provides efficient and effective accountability while minimising additional burdens. Where new requirements arise, the Government will prepare to ensure that appropriate arrangements are in place to establish effective scrutiny in partnership with the committee.

I am happy to answer any questions that the committee may have.

The Convener: I thank the minister for his opening statement. Before I open up the questioning to other members, I will ask about one specific example. Arrangements for reporting to the Scottish Parliament, particularly in relation to audit, will need to be put in place for the BBC. How does the minister envisage that particular bit of process being followed?

John Swinney: The command paper indicates that the BBC would be required to lay its annual report and accounts before the Scottish Parliament and submit reports to, and appear

before, committees of the Parliament in the same way as it does in the UK Parliament. As long as the presentation of those accounts provides clear and satisfactory information that enables the Public Audit Committee and other committees of the Parliament to fully and properly identify, and accordingly scrutinise, the BBC's operations in Scotland, those arrangements are broadly satisfactory. Crucially, the issue will depend on the degree to which that information reflects the activities of the BBC in Scotland and, thereafter, the ability of committees to scrutinise those activities. I envisage that being set out in a memorandum of understanding between the respective Governments, the Parliament and the BBC.

The Convener: What discussions have taken place with the BBC on that? Can you make public any elements of those discussions?

John Swinney: The discussions on that issue and on a range of subjects have so far taken place at a Government-to-Government level. Obviously, we will have to see the clauses that will come from the UK Government in their final form before we will be able to begin the detailed follow-up discussions that will be required. There will be a necessity for discussion with the BBC in that respect, and I expect that discussion to take place once the clauses are available to us in full, which we expect to be on Thursday.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Organisations such as Ofcom have identified that they have a reporting requirement in relation to their annual accounts that is set out in legislation and is subject to direction from UK ministers. Should the Scottish ministers or the Scottish Parliament be consulted before UK ministers give any such directions? Should any such consultation requirement be set out in statute?

John Swinney: The Smith commission's report makes provision for the Scottish Government to contribute to the formulation of strategic guidance for organisations such as Ofcom, and we will wish to utilise that access to the full to ensure that Ofcom is particularly well sighted on the requirements and needs of people in Scotland. I will give an example. Just the other week, I met Sharon White, the chief executive of Ofcom, and I made the point to her that, on broadband, it is all very well for Ofcom to tick a box that says that 97 per cent of the United Kingdom's population have access to broadband, but if the 3 per cent who do not have access to broadband are located mainly in rural Scotland, that is about as much use as a chocolate teapot.

It is important that the Scottish Government is able to have dialogue with organisations such as Ofcom to ensure that their strategic direction

properly and fully reflects the needs of the people of Scotland. That is an important responsibility for us to have. As a consequence, it is also important that parliamentary committees can hold Ofcom to account on some of those tests, to establish whether it is properly and fully taking into account the needs and requirements of people in Scotland. That is what the Smith commission had in mind when it considered enabling the Scottish Government to have access to the formulation of strategic guidance for organisations such as Ofcom.

Colin Beattie: Has the Scottish Government done any analysis to determine whether further UK legislative change will be required to ensure that the annual reports and accounts of bodies that are identified in the draft clauses include Scotland-specific expenditure and performance information?

John Swinney: That will be the responsibility of the UK Government, and I expect any provision of that nature to be reflected in the draft clauses that come from the UK Government.

Colin Beattie: In relation to the Department for Work and Pensions, universal credit and the benefits that we hope will come to the Scottish Parliament, Citizens Advice Scotland highlights that

“the process does not seem to be equitable.”

CAS highlights the fact that

“The clauses require the Scottish Government to consult the UK Government and to gain their agreement to the timing of any variance. However, should the UK Government wish to make regulations in this area that affected Scotland; they merely need to consult the Scottish Ministers, but are not required to seek their agreement.”

That does not seem a very equitable partnership agreement.

John Swinney: That is one of the issues that have been material to consideration of the draft clauses that were published in January. The draft clauses place a requirement on the Scottish Government to secure the agreement of the UK secretary of state for particular changes that we wish to make. However, as Mr Beattie correctly says, there is no reciprocal obligation on the UK secretary of state, which gives the UK secretary of state the ability to withhold consent. In that scenario, there would not be a proper and full devolution of responsibility, because the UK Government would retain the ability to say that it was not going to allow something to happen, for whatever reason.

That is one of the material issues that we have raised with the UK Government. It was one of our substantive concerns when the draft clauses were announced, in January, and we have sustained that point with the UK Government. We await the

publication of the Scotland bill to see whether the UK Government has amended the provision in any way. I think that that would be necessary for the Smith commission's recommendations to be properly put into practice.

Mary Scanlon (Highlands and Islands) (Con): I want to return to the BBC issue—I am sorry for jumping about.

We have received a very short submission from the BBC Trust, which states:

“Our expectation is that the BBC will provide exactly the same Annual Report and Accounts to be laid in Scottish Parliament as is laid in the Westminster Parliament.”

By contrast, BBC Alba provides an annual report and accounts, indicates its progress against objectives and outcomes, provides information on corporate governance, and so on. It provides

“exactly the same Annual Report and Accounts ... as ... laid in the Westminster Parliament.”

Are those arrangements for the BBC acceptable, appropriate and robust, or would you be looking for something more in line with what BBC Alba currently produces?

John Swinney: In my earlier answer to the convener, I indicated that the process of laying a report before Parliament seems to be an acceptable approach. However, what is essential in that judgment is what information that report conveys and what opportunity it provides for Parliament to properly scrutinise the activities of the BBC in Scotland.

The points that Mary Scanlon raises about the comparison between the contents of BBC Alba's report and the contents of the report of the BBC in general are welcome. A greater amount of information would be required to enable committees of this Parliament to properly scrutinise the activities of the BBC. The contents of the BBC's report would need to be developed to take into account the legitimate desire on the part of this committee and others to properly scrutinise the BBC.

Mary Scanlon: You would be looking for an annual report not just that was the same as the one laid at Westminster but that allowed this committee and this Parliament to scrutinise more meaningfully matters relating to Scotland. The same requirement would apply to the annual BBC Scotland management review report. What I am saying is that, with regard to the submission that we received from Rona Fairhead, the chairman of the BBC Trust, it would not be sufficient for the BBC simply to do what it is doing just now. We would need something much more focused on Scotland in the future—something more akin to what BBC Alba is producing.

09:45

John Swinney: That is a fair summary. However, the submission from Rona Fairhead is not, in my view, the last word on the subject, because a memorandum of understanding has yet to be created, discussed, scrutinised and tested.

Mary Scanlon: I understand that.

John Swinney: I would expect issues such as those that Mary Scanlon has fairly raised to be properly taken into account as part of that process.

Tavish Scott (Shetland Islands) (LD): I first want to ask the Deputy First Minister about the Maritime and Coastguard Agency. The Government's submission makes a couple of observations, which I think are fair, about separating out the MCA's expenditure in Scotland. Have you given any further thought to how that could best be done, so that the Government and Parliament could properly scrutinise that area?

John Swinney: To be fair to the MCA, its initial response was very much just that—an initial response. My officials have had subsequent discussions with the MCA to try to advance those issues.

The MCA's submission predates the Scottish Government's communication with the committee. I am optimistic that we will reach a much better position and that more information will be made available that better captures the distinct and discrete activities of the MCA in Scotland and that, therefore, enables committees to properly and fully consider all the implications of those issues. The committee has a significant role to play in specifying the type of information that it would be appropriate to have at its disposal. The Public Audit Committee is in a position to advance some of those points across a range of organisations including the MCA.

Tavish Scott: Thank you. We should not get drawn into the policy areas, as they are not our direct responsibility, but you have reflected on the Smith agreement in the context that I am describing. There may, for example, be areas of policy involving co-location of other blue-light emergency services in Scotland, which would make eminent sense. Is that the kind of area that you envisage the Government being involved in? I appreciate that that is not a matter for direct consideration by a Scottish Parliament committee, but there are members of the Scottish Fire and Rescue Service board sitting behind you in the public gallery and I have been thinking about that issue a great deal of late.

John Swinney: Those are, of course, the policy opportunities that arise from having greater scope to influence some of those agendas.

Tavish Scott: Yes.

John Swinney: It goes back to the crucial point of whether the bodies are prepared to consider those opportunities. In response to a question from Mr Beattie, I cited the example of Ofcom. It is appropriate that, if the Scottish Government and the Scottish Parliament are accorded an opportunity to influence the strategic direction of organisations such as Ofcom—a point with which Tavish Scott will be entirely familiar from the Smith commission process—that must be done for a purpose, which would be to get the organisations to take greater account of the particular and specific requirements in Scotland. The example of broadband that I cited to Mr Beattie fits into that category.

The point that Tavish Scott raises about the MCA is particularly relevant because of the extent of Scotland's coastline, our maritime interests and, to be frank, the disproportionate extent of the risk that is carried in Scottish waters—a risk with which Mr Scott will be entirely familiar, given his constituency interest.

There is an opportunity for us to shape imaginative ways of delivering public policy if we can properly use that strategic input in the way that the Smith commission envisaged.

Tavish Scott: I agree with that.

I have two brief questions, the first of which is about the Crown estate. The Government's submission makes some interesting remarks about the continuing Crown estate. From an audit point of view, it would be for this committee—and indeed for the Government—to properly scrutinise what that might look like. Does the Deputy First Minister wish to share his emerging thoughts on the best way in which the continuing activities of the Crown Estate might be properly scrutinised from an audit perspective?

John Swinney: I am anxious about the use of the term “continuing”—I wonder where Mr Scott is trying to take me.

There is a real uncertainty. When I signed up to the Smith commission's report, I felt that I was signing up to the full devolution of the Crown estate and all its interests to Scotland. That was what was in my mind. What is now emerging suggests that, although the Crown Estate may do that, it may also do other things that may open up another front of Crown Estate activity in Scotland.

Mr Scott heard the evidence that I gave to the Devolution (Further Powers) Committee on that point. At best, the situation is confusing; at worst, it undermines the whole principle that the Smith commission signed up to. At this stage, I am a little bit reluctant to accept that there is a proper continuing role for the Crown Estate beyond the devolution of Crown estate responsibilities to Scotland.

I believe that, in whatever shape or form the Crown estate emerges, this committee and other committees must be able to properly and effectively scrutinise Crown Estate activities in Scotland in a fashion that has not been the case to date. The devolution of responsibilities brings that area further into the scope of this Parliament, and therefore places particular obligations on the Crown Estate specifically in relation to this committee and how it can clarify for members of the public the issues about which they are concerned.

Tavish Scott: The issues may well become clearer this week—we will see.

John Swinney: They may well do.

Tavish Scott: I have a final question, which goes back to the chocolate teapot analogy that the Deputy First Minister used with some aplomb. It would be open to his Government to say that Government policy could change to encourage development to happen for the 3 per cent who are without broadband, on which I entirely agree with him. He knows from his constituency, as I know from mine, that some people will not be caught by the current Government policy on broadband, which is a UK-Scotland joint policy.

The audit of that policy—Audit Scotland has done it, of course—could suggest that the policy should be targeted at such areas. Ofcom is part of that, but the Government is too. Would that be a fair comment?

John Swinney: Yes and no. I have been pretty clear about the Government's intention. We believe that the roll-out of superfast broadband is an essential requirement for all localities in Scotland, regardless of where they are and how difficult they are to reach.

Tavish Scott: Indeed.

John Swinney: Mr Scott has extensive experience of the challenges and difficulties around the country in that respect. I am keen to ensure that that commitment is fulfilled, and it will be easier for us to do so if a greater obligation is placed on providers. I cannot do that, because I do not have legislative competence in that area, but I intend to use the strategic opportunity of dialogue with Ofcom to advance those arguments. I am in no way trying to pass the buck—I am properly trying to use the constitutional settlement to ensure that we have more extensive superfast broadband coverage by virtue of an obligation that is placed on providers.

There is an opportunity for the Scottish Government to influence that process and, if Ofcom's chief executive was in front of the committee today, she would make it clear that she left St Andrew's house knowing that the Scottish

Government attaches the greatest importance to the availability of superfast broadband across the country. Ofcom has a critical role in ensuring that the obligations that are placed on operators and providers are set in that context.

Stuart McMillan (West Scotland) (SNP): Deputy First Minister, your comments on the MCA and the Crown Estate have certainly been helpful. Have you or other officials been involved in any further discussions with the UK Government on the potential accountability situation in the two-Crown Estate solution?

John Swinney: Officials have been involved in discussions about the substance of the clauses that will be implemented on the Crown estate, so those issues have been explored with United Kingdom Government officials. There has been no further discussion of the accountability issues, because a number of the detailed points will await the finalisation of the clauses. I have not yet seen a full outline of the clauses that will be published later this week.

Stuart McMillan: I am sure that the committee will want to come back to that area at some point.

My second question relates to the Convention of Scottish Local Authorities submission, which suggests that it might be appropriate for certain bodies to submit focused reports on specified issues, such as the Gambling Commission submitting a report on fixed-odds betting terminals, over which powers will be transferred. Would having some of those organisations report to this Parliament be useful for the Parliament's auditing and accountability processes?

John Swinney: There is a case for that. If there is an appetite for inquiry in this Parliament on whatever question, the Parliament should pursue its legitimate inquiries. We might not hold all the responsibilities, but that has not stopped Parliament exercising an entirely legitimate democratic right to probe and to scrutinise any question. Committees should be free to take that forward.

What might limit that is the statute that established this Parliament and committees' ability to command evidence. However, if my recollection of section 23(1) of the Scotland Act 1998 is not departing me, Parliament has a pretty formidable power to require information to be brought before it. There is definitely a case to be made for what is suggested.

Stuart McMillan: Have you or Scottish Government officials put that case to the UK Government, whether with regard to the Gambling Commission or other bodies, such as the Financial Conduct Authority, the Health and Safety Executive or the Equality and Human Rights Commission?

John Swinney: In my answer to one of your earlier questions, I indicated that a lot of the discussion of accountability and scrutiny arrangements will have to follow the definition of the final clauses. Early discussions have taken place about some of the accountability issues, but there is a long way for us to go on those points. I reiterate the point that I made to Mr Scott: it is important that the committee specifies many of the terms for what it believes to be the appropriate and acceptable level of information to be available to the Parliament to enable it and other committees to properly exercise their functions.

Nigel Don (Angus North and Mearns) (SNP): I would like to hear brief thoughts from you on what I think of as the third leg of audit. The first leg is plainly making sure that the numbers add up. The second leg is making sure that the governance is there. The third leg is having data that enables us to work out how effective an organisation is—whether it is doing what we want it to do and how efficiently it is doing that.

I appreciate that it is very early days, given the things that you have spoken about and bills that are about to appear. However, can you give us any thoughts on how you see the organisations in which we will have a greater interest accounting to us on their effectiveness?

10:00

John Swinney: I suppose that the issues fall into two categories. If a responsibility is transferring in its entirety to the Scottish Parliament's competence, the Scottish Parliament's existing arrangements under the Public Finance and Accountability (Scotland) Act 2000 and the other arrangements that that act provides for, which are the basis on which we undertake our audit and scrutiny work, should apply, as those arrangements work well. They are viewed as having great strength and international standing, so we should apply them as we apply them to the current day-to-day arrangements, which are the meat and drink of the committee's work.

When there is a shared responsibility, we have to take care that the committee is properly able to have available the information that will allow it to satisfy itself of the authority, governance and effectiveness of all the public expenditure of those bodies in Scotland. That will involve greater joint working between the Auditor General for Scotland and the Comptroller and Auditor General for the United Kingdom. A lot more joint activity will have to be undertaken, because the committee has to be satisfied that it has access to proper information in order to challenge and scrutinise activity without two exercises having to be

undertaken, which would be difficult to justify, provide and interrogate.

I fit my answer to Mr Don's question into those two categories. When something is transferring in its entirety to the Scottish Parliament, requirements under the 2000 act should be applied, and when there is some form of shared endeavour, such as DWP activities, there must be a substantive response to the requirement from the UK body, which has to mean greater involvement for the Auditor General in the process.

Nigel Don: Do you sense that the UK Government understands the point that you have just made and that it will push the National Audit Office to work with the Auditor General for Scotland?

John Swinney: From time to time, I encounter elements of the United Kingdom Government that do not seem to be particularly aware of devolved arrangements, so the process is by no means complete. Getting the issues and questions more widely understood and therefore reflected in practice will be a challenge.

To be fair to the UK Government, I am not altogether sure that it is its obligation to push the NAO in that direction. Perhaps it is for the NAO to realise that the landscape has changed and that it has to operate with the Auditor General for Scotland and Audit Scotland in a fashion that enables work to be undertaken and information to be presented to enable Parliament to properly discharge its functions.

Nigel Don: That suggests that we need to talk to the Auditor General about her working relationship with the NAO.

John Swinney: That would be the appropriate conversation.

Mary Scanlon: I hope that the cabinet secretary agrees that it is quite difficult to second-guess what will be in the Queen's speech and the bill that is likely to be published tomorrow. I understand that the Secretary of State for Scotland has listened to feedback and has said that he is open to amendments to the Scotland bill. I look forward to that.

There are so many devolved issues under the Smith commission that it is difficult to look at just one. I thank my colleagues for raising general points. I will pick out one measure that your Government has been critical of: the work programme. Responsibility for it is a new economic power under the Smith proposals. How will you measure the employment programmes in Scotland when they are fully devolved? What auditing and accounting arrangements will there be and what outcomes will you look for to ensure

that money is well spent and that we get value for money?

John Swinney: I will look at the employment programmes' ability to ensure that individuals are supported into employment that is sustained on a basis that is acceptable to the Scottish Government. That is the central outcome of an employment programme. We will have a range of other key indicators to determine the basis of the programmes, the relative cost and the performance of any providers in supporting us, in the way that we have a range of key performance indicators that apply to Skills Development Scotland's work on modern apprenticeships or to a programme such as the youth employment Scotland programme, which the Scottish Council for Voluntary Organisations takes forward.

Mary Scanlon: At the moment, people are supported for two years back into employment and while they are in employment. Will you continue that support on a similar basis to what is provided now?

John Swinney: Those are policy questions that the Government will have to determine. One of my concerns about the policy area is that our being able to do this will take a great deal longer than any of us who sat on the Smith commission envisaged. I sat on the commission between September and November 2010 and, while we were discussing devolving employment services to the Scottish Government at the earliest possible opportunity, the UK Government was renewing the contracts for existing employment support arrangements, which means that we cannot exercise devolved responsibility before 2017. The Scottish Government deeply regrets that position.

The Convener: I clarify for the *Official Report* that the Smith commission sat in 2014.

John Swinney: What did I say?

The Convener: You said 2010. I wanted to clarify that for the record.

John Swinney: My apologies.

Mary Scanlon: I think that the Calman commission was in 2010.

John Swinney: Thankfully, I never sat on the Calman commission.

Mary Scanlon: In two years' time, the work programme will be fully devolved and you will make the changes. Will the basic principles still apply—that the programme will help long-term and short-term unemployed people and support them to get back into the work environment?

John Swinney: Of course. There would be no point in an employment programme if it was not about getting people back into employment. That is the core purpose of an employment programme.

The issues that I am concerned about in the short term are that the Smith commission envisaged the power being devolved early, whereas it is going to be devolved late, and that there is not the comprehensive scope for exercising devolved control over employment services that I would like to see in place.

Mary Scanlon: I am sure that we will come back to that.

The Convener: We should be careful not to stray into policy areas. The committee's business is primarily the audit arrangements.

Mary Scanlon: I appreciate that. My second set of brief questions is on the Chartered Institute of Public Finance and Accountancy's previous recommendation that a Scottish balance sheet should be developed to provide overall context to the administration of the financial affairs of the devolved Administration. Is that reasonable? Are you looking at that?

John Swinney: Comprehensive information is gathered and published on Scotland's public finances and the resources under the Scottish Parliament's control. That information is sufficiently comprehensive. With the further devolved responsibilities, we will look to reflect that comprehensive standard in the arrangements that we put in place for presenting financial information on public expenditure performance and the Scottish Government's work.

Mary Scanlon: Will that information be equivalent to a Scottish balance sheet?

John Swinney: I do not quite know what information is required. The Government produces all the necessary financial information about the conduct of public expenditure in Scotland. From where I am sitting, that is a comprehensive explanation of the position. I am not quite sure what further information would be required to satisfy the point that Mrs Scanlon makes.

Mary Scanlon: I am sure that that will become clearer in the weeks and months ahead.

My final issue is one that I asked you about during oral questions in the chamber, when I got a constructive answer. The understanding seems to be that the Crown Estate is responsible for parts of the shoreline around Scotland, but 36 tenant farmers in Moray and Glenlivet are worried about the devolution of the Crown estate.

The Scottish Government takes the view that

"the organisation that takes on the Crown Estate's responsibilities should report to the Scottish Parliament and this should include performance, financial information and the contribution being made to delivering the National Performance Framework".

Will the farmers be accountable to a minister or will there be an alternative approach, such as the one put forward by COSLA? It said:

“we need to ensure that the Smith Commission’s recommendations are acted on in full by ensuring that Crown Estate operations and associated revenues are fully devolved to local government.”

I know from having spoken to many of the 36 tenant farmers, many of whose tenancies have passed down the generations, that they are a bit worried about councillors or ministers managing their farm activities. I appreciate that the Rural Affairs, Climate Change and Environment Committee is taking evidence on the issue today, but can you provide any comfort to the Glenlivet and Moray farmers? I am not aware that any Government or council has ever controlled or managed farms. The shoreline aside, how do you see the auditing and accounting arrangements working? I want to focus on the 36 farms.

John Swinney: You raise a multiplicity of issues.

Mary Scanlon: The farmers are worried about the issue.

John Swinney: I am very much aware of that. My colleague the Cabinet Secretary for Rural Affairs, Food and Environment, Richard Lochhead, who represents the area, has made that point clearly in our discussions on the issue.

I will separate out the points that you made. The audit and accountability arrangements will apply to the Crown Estate’s activities. Needless to say, some farmers have a relationship with the Crown Estate in the sense that they pay rent to it. In that respect, there has to be transparency about the Crown Estate’s activities, and I would expect the Parliament to want to exercise a role in relation to those activities, but not individual farmers’ activities.

I offer this reassurance to the farmers of Glenlivet: I cannot envisage there being any appetite for the Government to direct the work or role of tenant farmers in any respect—I cannot see why on earth it would want to do that. As Mrs Scanlon rightly pointed out, these are people who have had generations of involvement in the nurturing, care and stewardship of some magnificent parts of Scotland. If the Government knows anything more than the tenant farmers of Glenlivet do, it is not worth knowing. I therefore really do not think that there is any cause for concern, but I assure those individuals and Mrs Scanlon that the Government properly and fully understands the issues.

10:15

Mary Scanlon: According to its submission, COSLA thinks that management of the Crown estate is going to be devolved to local government, while the paper that we have received from the Scottish Parliament information centre says that it is to be devolved to an organisation. What organisation do you expect to take over the management of the 36 tenant farms of the Crown Estate?

John Swinney: There will be a Crown Estate in Scotland. That will be the body.

Mary Scanlon: So the Crown Estate will remain as the—

John Swinney: This is where we have to be very careful.

Mary Scanlon: I am sorry—I am just trying to understand the situation.

John Swinney: This is a guddle not of my making but of Her Majesty’s Government’s making, because of the lack of clarity from that Government about the proper devolution of the Crown Estate function. When I sat on the Smith commission and had a discussion in good faith with all parties about the Crown Estate’s responsibilities being devolved to Scotland, that discussion was about the devolution to Scotland of the Crown Estate’s entire functions, which would then be under the Scottish Parliament’s scrutiny. Within that, we might well decide to devolve particular functions to local authorities in the way that the three island authorities—Shetland, Orkney and the Western Isles—have presented to us.

There will be a Crown Estate in Scotland, but things have become somewhat muddled with the proposal that that will happen while the Crown Estate has other activity going on. As for the interests of the tenant farmers, there will have to be some body whose land they are managing—and that body will be the Crown Estate.

Mary Scanlon: So the Crown Estate will still be there in some form.

John Swinney: The Crown Estate’s functions will be devolved to Scotland. In other words, there will be a Crown Estate in Scotland and it will be accountable to the Scottish Parliament.

Mary Scanlon: I will leave it there, convener.

The Convener: As the committee has no further questions, I thank the cabinet secretary and his colleagues for their contributions and I suspend the meeting to allow for a changeover of witnesses.

10:17

Meeting suspended.

10:20

On resuming—

Section 23 Reports

“The Scottish Fire and Rescue Service”

The Convener: The next item is evidence on the report by the Auditor General for Scotland, “The Scottish Fire and Rescue Service”.

I welcome Caroline Gardner, the Auditor General for Scotland, and, from Audit Scotland, Angela Cullen, assistant director; Mark Roberts, senior manager; and Mick Duff, audit manager.

I understand that the Auditor General has a brief opening statement.

Caroline Gardner (Auditor General for Scotland): Thank you, convener.

The report looks at the process of establishing the Scottish Fire and Rescue Service; the progress that the organisation is making in reforming how it delivers fire and rescue services; and some of the financial challenges that the organisation faces in future.

I will briefly summarise our findings under three headings: the formation of the Scottish Fire and Rescue Service and its governance arrangements; the costs and savings associated with the merger; and reviewing future service delivery. It is important to note that I have focused on the merger process, rather than the longer-term reform that the fire service is undertaking. I will keep the latter under review and may report on it in future.

Overall, we found that the Scottish Government and the Scottish Fire and Rescue Service managed the merger of the eight former fire and rescue services effectively. The Scottish Government clearly defined the roles, expectations and initial targets for the chair of the Scottish Fire and Rescue Service Board and the chief officer, and eight of the 10 recommendations that we made in our earlier report, “Learning the lessons of public body mergers”, have been implemented or are in progress.

The board is starting to perform well in providing strategic direction for and effective scrutiny of the management of the organisation. It has demonstrated in a variety of ways that it is committed to improving its performance. One important aspect of the new arrangements is the network of 17 local senior officers who are responsible for maintaining links with local authorities. That structure is proving to be effective.

On costs and savings, the financial memorandum to the Police and Fire Reform (Scotland) Act 2012 estimated a cost of £39.5 million for the establishment of the Fire and Rescue Service. The actual cost was £35.7 million, which is around 10 per cent lower. Reported savings to date put the service on track to exceed the overall expected £328 million of savings by March 2028 that the financial memorandum anticipated. However, as a result of future cost pressures and likely reductions in public sector budgets, we estimate that it may face a funding gap of £43 million by 2020. The Fire and Rescue Service does not yet have a long-term financial strategy to show how it will close the funding gap. It is now crucial that it agrees a long-term financial strategy by March 2016 that sets out how that will be done.

It is clear that this has been a challenging period for the organisation and its staff, but Her Majesty’s fire service inspectorate in Scotland concluded that there had been no impact on the public across the merger period. The Fire and Rescue Service’s performance is improving, and it is making progress in removing important differences in how the eight predecessor fire and rescue services were managed and operated.

Although the merger was managed effectively, in some respects the hard work of reform is yet to come. The Fire and Rescue Service is conducting a number of reviews to determine how it should deliver a national service in the future and is addressing some of the important differences, on which we have previously reported, in the way that the service was delivered throughout Scotland in the past.

Those reviews aim to ensure that the Fire and Rescue Service’s resources are used as effectively as possible to provide a sustainable service that reflects current and future risks. Ensuring that they are completed promptly and inform the development of a long-term financial strategy is a matter of urgency for the service and a key part of the next phase of the reform process.

As always, convener, my colleagues and I are happy to answer questions from the committee.

The Convener: I will start. I refer you to key message 3 in your report, where you say that the cost pressures that will be placed on the organisation could result in its having to make savings of up to £43 million. In your experience of dealing with similar organisations, is that an alarming level of potential savings? In what areas would you expect the organisation to have to consider making them?

Caroline Gardner: The gap is certainly significant; there is no question about that. This year’s budget for the Fire and Rescue Service is

about £230 million, so in that context a £40 million funding gap is significant. One of the rationales behind the merger of fire and rescue services across Scotland was to help the service face the funding pressures that the Government foresaw would occur during the current period by releasing resources that could be invested in fire services, and good progress has been made on that. Our point is that there is still a gap even after initial savings were made during the first two years of the new organisation's life.

The SFRS is looking at the areas that we would expect it to look at. The reviews that we list in our report look at the workforce, assets, procurement, and the use of information and communication technology. Those important areas affect the effectiveness of the service and the amount that it costs to provide it. From previous work that Audit Scotland carried out, we know that there were significant differences across Scotland that did not appear to be related to the level of risk that was faced in different parts of Scotland or to the effectiveness of fire services in different areas.

The right reviews are in hand, but the gap is significant. It is important for the reviews to come together to inform a financial strategy that shows how the gap will be closed five years from now.

The Convener: In terms of the savings as a percentage of the overall budget, will we get to the stage of being at the bare bones of available resource, and will that cause staffing and workforce planning problems?

Caroline Gardner: That is a question that you might want to address to your next witnesses. The report shows that significant savings were made in the first two years by reducing some of the obvious duplication in management structures, support services and other areas. In many ways, those achievements were significant, but the savings were the easier ones to make in practice. The more difficult issues will be the allocation of control rooms and fire stations around Scotland and the ways in which shift duties will be organised differently from how they were organised in the past. Those are challenging things to get right, and the main challenge is for the SFRS to do that in ways that protect the service while making the cost savings that need to be made in the next five years.

Mary Scanlon: In your opening statement, you referred to something that you say in paragraph 47 of the report, which is that

"the public had neither noticed nor suffered any reduced level of service".

That is obviously good news.

However, on page 10 of the report, you mention the post-implementation review that was due to be

held six months after the merger. We have waited for more than two years, but we still have not had that. Page 11 shows that we are still waiting for the collection of

"views from users, staff and stakeholders on performance".

In paragraph 22, you identify the main risks in the corporate register—I will not read them out. Exhibit 8 shows that the workforce strategy is

"Awaiting consideration by the board",

and asset management and procurement strategies are due to be decided on this month.

How can you state that

"the public had neither noticed nor suffered any reduced level of service"

when we are waiting for a quite considerable amount of information, including the post-implementation review?

Caroline Gardner: The evidence that I used in reaching that conclusion came from the 2013 review of progress made on reform from Her Majesty's fire service inspectorate in Scotland and the Government's mid-year review of performance in the same year. As I said in my opening statement, it is important to note that that conclusion relates to the initial transition from the eight former fire and rescue services to the new service.

We know that it was a difficult time for the organisation and for staff, as I said in my opening statement. The organisation is starting to make some difficult choices, and such decisions will continue to be needed in the years ahead. We have seen, for example, the handling of the control room closures that are planned across Scotland. I am confident that the evidence that we have supports the fact that, during the transition, as the report says, there was no impact on the public.

10:30

There are difficult decisions to come that will need to be carefully worked through both with elected representatives here and in the 32 councils in Scotland and with members of the public. People care a great deal about the fire service and are attached to it, particularly in the more remote parts of Scotland, and we know that it is difficult to take those decisions in a way that can help people to understand the costs and benefits that are involved and what that will mean for them.

This is very much work in progress, but the initial stages were handled well.

Mary Scanlon: Were you or the auditors who undertook the inquiry given any reason why there has been a 20-month delay in the post-

implementation review? It was due within six months of the merger, but we are now at 26 months. Is there a reason why it has not been done?

Caroline Gardner: I will ask Mark Roberts to pick that up in a moment. However, you are absolutely right. That is one of the two recommendations that we made in our report “Learning the lessons of public body mergers” that have not been completed.

Mark, would you like to pick that question up?

Mark Roberts (Audit Scotland): As Mary Scanlon says, the review has not been done. That is one of the two recommendations from our previous report that have not been done. The service has recognised and acknowledged that it has not done it, and it has committed to going ahead and doing it. The committee might wish to ask the next panel of witnesses about that. We think that it is important, because we see this as a merger that went very well, so we want the lessons learned to be captured as soon as possible so that they can be shared with other parts of the public sector.

Mary Scanlon: I mentioned the risks in paragraph 22. Are they a cause for concern?

I will also pitch in with my final question. This is the first time we have looked at a report for the whole of Scotland. You might remember, Auditor General—although it might have been before your time—that the Accounts Commission published a highly critical report about the Highlands and Islands Fire and Rescue Service. I know that many of the issues have been addressed over the years, but I cannot ask about the Highlands and Islands; I can only ask about the whole of Scotland. Are there geographic areas that you feel still need a bit more attention, or do we have a consistent level of service across Scotland?

Caroline Gardner: You are absolutely right that Audit Scotland, on behalf of the Accounts Commission, produced a series of reports in 2012 about the predecessor fire and rescue services, and they showed both a great deal of unexplained variation across Scotland in the way in which the fire service was provided and particular problems in the former Highlands and Islands Fire and Rescue Service.

The work that we have done demonstrates that the new Scottish Fire and Rescue Service has started the process of addressing those differences and ensuring that it can produce a more consistent service across Scotland that reflects the important regional differences. However, it also demonstrates that there is much more to do. It is fair to say that some of the challenges in providing a fire and rescue service in some of the most remote parts of Europe, which

we see in the Highlands and Islands, are not easy to crack. We are satisfied that the work that is going on through the reviews is starting to address those challenges, but there are no easy fixes. That is why I made the comment about some of the work of reform still being there to be done.

We are not surprised by the risks that are in the corporate risk register. In a sense, we would be more concerned if they were not there. We take assurance from the fact that the reviews that we mention in exhibit 5 are focusing on the right areas to address those risks in future and to do that in a way that can be managed within the funding that is likely to be available.

Mary Scanlon: Thank you.

Colin Beattie: I would like to comment on how good a report this is. The merger has gone extremely well, and all the way through the document there are positive remarks about the way that it has been managed and implemented.

My question is about key message 3 on page 5. The potential funding gap is very much a notional gap. What future cost pressures and reductions in funding did you take into account to reach the figure that you mention?

Caroline Gardner: I will ask colleagues to comment in a moment, but it might be helpful to refer you to exhibit 6 on page 21. That exhibit shows in the top line that we broadly agree with the Scottish Fire and Rescue Service about the likely cost pressures that it will have in future. It has done a good job in understanding the costs that it has inherited from its predecessor organisations and in reviewing how they are likely to change in future through pay inflation, the impact of VAT and the other changes that are coming through.

Where we differ from the Scottish Fire and Rescue Service is in our view of what funding is likely to meet those costs. The Scottish Fire and Rescue Service’s planning is based on steady-state budgets between now and 2020, whereas we think that the forecasts of public spending that are coming through from the Office for Budget Responsibility and others show that it is more likely that there will be a reduction. The big difference between us relates to the likely level of budget available to cover those costs, rather than the costs themselves. I will ask Mick Duff to talk a bit more about the costs that are included in the top line in order to help you understand that.

Mick Duff (Audit Scotland): The main cost increases relate to inflationary costs—staff costs and non-staff costs—and a potential £3 million increase in 2016-17 as a result of an increase in employers’ national insurance contributions.

Colin Beattie: Obviously, a lot of this is difficult to pin down, because we do not know what the reductions in funding are going to be. We might have a better idea come July, but at the moment I doubt whether even the Scottish Government knows what reductions are coming down the line. You could take almost any piece of the public sector and project that there will be cuts. I do not know.

Caroline Gardner: That is one of the reasons why we think that a long-term financial strategy is so important. You are right that we do not know what the exact figures will be, but a long-term financial strategy can take a number of likely scenarios and plot them out. Given what we know about the UK Government's spending plans and the time that it would take for any further devolution of financial powers to the Scottish Parliament to take effect, there is a strong likelihood that, during the five years that we are looking at, there will be a reduction in the overall Scottish budget. We have applied that on a consistent basis to the Scottish Fire and Rescue Service, but if other parts of public services were protected, the reduction for the Scottish Fire and Rescue Service would be greater. We think that our forecast is reasonable, although clearly there is an element of uncertainty in all forms of forecasting.

Colin Beattie: I am looking at paragraph 13, on page 12 of the report. You state, of local councillors:

"councillors on these boards had not, in general, provided strong strategic leadership".

That is a recurring theme in the reports that we have seen over the past few years—it seems to be repeated in many of them. Is it indicative of a greater problem?

Caroline Gardner: I think that it was a particular issue for the former fire and rescue services. In most parts of Scotland there were joint boards, which were special purpose boards that brought together councillors from a number of authorities to look at the service. However, that was not those councillors' main area of focus; they had been elected to represent their area on the council as a whole, rather than to have a focus on the fire service. As Audit Scotland previously reported for the Accounts Commission, councillors tended to be very poorly supported. There was little dedicated support in terms of analysis or challenge to enable them to ask questions of the officers who provided the service. That was part of the rationale for moving to a new national service with its own dedicated board.

This is one of the areas of real improvement that we think we have seen as a result of reform. The board recognises that it has further to go, but it is

clearly providing greater challenge to the service than was the case before reform and it is much better placed to provide strategic direction, working with the officers who make up the service itself.

Tavish Scott: I will start by gently picking up the point about where income comes from for any public service. The Government at the moment has a power to put up tax, does it not? Therefore, although it is fair to point out the assumptions that you have discussed with Mr Beattie, I get a little frustrated when I hear everyone saying that it is someone else's fault. We have a power in the Scottish Parliament right now to put tax up if we want to invest more in public services, do we not?

Caroline Gardner: What we have, as of 1 April this year, is a power to raise the small taxes of land and building transactions tax—

Tavish Scott: No—I am referring to the 3p tax-varying power, which existed from 1999. That means that the Government can put tax up if it chooses to.

Caroline Gardner: That existed for a period, until the implementation of the Scotland Act 2012, and it was then repealed.

Tavish Scott: It was withdrawn for other reasons—indeed.

Caroline Gardner: What I am looking at is the funding that is available between 2015-16 and 2019-20.

Tavish Scott: Okay—but let us caveat that in the context.

Rather more seriously, I agree with Mr Beattie's observations about how strong the report is on how well the merger has gone. The Auditor General rightly mentioned the lessons learned. Would she care to give an overview of why it went so well, whereas it has clearly been the opposite with the police?

Caroline Gardner: I will ask the team to chip in. We have thought a lot about that as our work has been progressing.

One of the differences is that the structure of the Fire and Rescue Service is simpler. For understandable reasons, when the reform process was going through, the Parliament approved a structure for policing that provided a separate Scottish Police Authority, to which the Police Service of Scotland is accountable. That reflects the well-known concerns about the role of policing in a democratic state. The Fire and Rescue Service is a single body which, like many other public bodies, is accountable to this Parliament through the accountable officer, and its roles and responsibilities were more clearly defined very early on.

I invite Mark Roberts to expand on that.

Mark Roberts: I do not think that there is much more to say. In addition to that, from the point at which it was appointed prior to the service coming into existence, the Scottish Fire and Rescue Service Board was very much focused on working effectively and continually trying to improve how it held the management of the service to account. As we say at various points in the report, the board has done a lot of work to ensure that it gets the information that it wants about performance, finance and risk. The board is very focused on continuous improvement and on understanding the nature of the service and its job. That has worked very well.

Tavish Scott: I am sure that that is very fair.

Auditor General, you said that the roles and responsibilities of the single body were clearly defined early on. Can you elaborate on that? That strikes me as exactly what did not happen with the police.

Caroline Gardner: You may recall that, when I reported on police reform at the end of 2013, that was one of the clear findings: the roles and responsibilities had not been clear at the point when the new Police Service was being established, and it took longer than it should have done for them to be clarified.

Tavish Scott: So it would be fair to say that the responsible sponsoring team in the Government was clear, and that it provided that clarity to the incoming board and to the incoming management team of the new fire service, which, for whatever reason—we never got to the bottom of that—did not happen with the police.

Caroline Gardner: That is true, and the basic structures were more straightforward with the fire service, so there was less scope for confusion about the roles and responsibilities of—

Tavish Scott: Sure—that is a fair point, too.

I have one other question, relating to paragraph 63, on the retained fire service. The report accurately says that 85 per cent of Scotland's fire stations rely on the services of retained firefighters. Mary Scanlon was reflecting on that, and I could not agree more with that challenge. Your report says that there is work going on with respect to the medium and long-term options. I will obviously ask our later witnesses about this, but how confident are you that that will happen? If I may say so, this is fundamental even to the island that I live on.

Caroline Gardner: You are absolutely right about its importance. Your question is indeed much better aimed at your next witnesses, but it is fair to say that this is an area where there is no simple answer. Fire reform has been a live topic

across the UK for more than a decade now. When the Bain report was published in 2002, the retained duty system was viewed as key to providing services in more remote and rural areas. There is now growing doubt about whether that is possible, given people's changing lifestyles and the difficulty in being available when needed. My understanding is that that is very much at the core of what the Fire and Rescue Service is trying to review at the moment, the aim being to come up with something that is sustainable and affordable for remote and rural communities, where the retained system has been very important in the past.

Tavish Scott: When you were discussing the matter with the service, was it suggested to you that there needs to be a reconsideration of the issue, with someone else appointed to do it—a new Bain, in other words—or is there just going to be an internal exercise in the current fire board and fire service?

Mark Roberts: It is an internal exercise that is being—

Tavish Scott: Is that adequate? Is that enough, given how serious the matter is, and the fact that the issue applies to 85 per cent of our fire stations?

Mark Roberts: At present there is a reliance on the fire service to provide the key source of expertise on how things are done. I think that it is appropriate, yes.

Tavish Scott: Okay—that is fine.

Caroline Gardner: One of the things that we think have gone well is using the different experience that came together across Scotland to make the changes that we have already seen. If we look at the way in which standard fire appliances are now crewed, we see that the experience that had been built up in parts of Scotland where that was done differently and more effectively in the past is playing into the new models—we are seeing that expertise being used well. That is not to say that it is guaranteed to work in the case of retained firefighters, but that experience of learning from what is working in other parts of Scotland has been one of the success stories so far.

Tavish Scott: Thank you.

10:45

Nigel Don: I am grateful to Mr Scott for getting to where he did, so that I can continue from there. I am looking at paragraphs 55 and 57, but let us not worry about the detail, because I am interested in the general observation that you make that home safety visits have made a difference—I suspect that they have made a huge difference. In

paragraph 57, you comment on malicious false alarms and, more importantly, equipment failure false alarms. The witnesses in the next panel are undoubtedly the people to ask about the details of all that, but are you satisfied that the way in which those issues are being addressed makes sense and that we have the appropriate level of expertise? Should other people be involved in that work or is the fire service, in principle, correctly addressing the issues?

Caroline Gardner: At this stage, we think that the service is looking at the right areas. As I said in response to Mr Scott's question, the experience so far is that the fire service has tapped in well to the experience in different parts of Scotland where different innovative approaches have worked. We also make the point in the report that the changes that will be needed in future are significant, not just because of the funding gap but because the nature of the risk is changing so significantly and because it varies so markedly across Scotland.

We will continue to look at how well those reviews are being carried out and how well they are leading to changes in practice. At this stage, we think that the groundwork is well in place.

Mary Scanlon: If you remember, we were very critical of the police, because they did not develop a full business case. In paragraph 10, you say that the SFRS did not develop a full business case to look at costs and savings. Can you expand on that and how essential it is?

Caroline Gardner: We actually said that the Scottish Government did not develop a full business case. It was the same business case for police and fire reform.

Mary Scanlon: So is it the Scottish Government that develops the business case?

Caroline Gardner: Yes. The reason why we have not reported on it further in the SFRS report is that we reported on it in the report on police reform in November 2013. It was the same business case and we felt that there was nothing more to say. The same point applies.

Mary Scanlon: So it was the Scottish Government that did not develop a full business case. Is that one of the reasons why you have been slightly critical of the Scottish Fire and Rescue Service not having a long-term financial strategy? Is that one of the reasons for the delay in the post-implementation reviews? What has been the effect of not having a full business case at the start?

Caroline Gardner: As with police reform, the absence of the full business case makes the long-term financial strategy all the more important. The fact that the outline business case was not updated and no full business case was developed

means that it is even more critical to have an up-to-date picture, taking account of all the experience since, of the financial pressures and how they will be addressed. That is true for both services.

It does not have any relevance to the failure to carry out a post-implementation review. That is a separate issue. As Mark Roberts said, we understand that the Fire and Rescue Service intends to carry one out. It is one of our recommendations that it does that quickly.

Mary Scanlon: Would you be looking for a more robust long-term financial strategy at this point in time, which you do not have?

Caroline Gardner: Absolutely and the key recommendation from the report is that that should be in place by next March.

Drew Smith (Glasgow) (Lab): You discuss the issue of the long-term strategy and how to deal with the funding gap that you have identified. You suggest that a five to 10-year strategy should be available by March 2016. Is that entirely deliverable for the service, given where it is now with financial planning? Is it reasonable for a report of that magnitude to be produced in that timescale?

Caroline Gardner: We think that it will be challenging, but the work that the service has under way with the various service reviews is exactly what is needed to inform the strategy. Mark Roberts can give you more detail about the work in progress.

Mark Roberts: As we highlighted on exhibit 15, there are four major strands of work that are ongoing, which will come to fruition over the next nine to 10 months. In addition to that, as the Auditor General has previously mentioned, there are the workforce, procurement, asset management and ICT reviews, which will all come together. The long-term financial strategy will put the pound signs against those things. It is entirely reasonable to expect the reviews to come together over the next nine to 10 months, in parallel with the long-term financial strategy.

Drew Smith: I take your point about the differences between the fire and police services in terms of complexity and other issues. In terms of the plan, and particularly the workforce element of that plan and how many personnel are needed in the future, can the fire service benefit from the fact that there is, frankly, less political interest in head count in the fire service? Over a prolonged period, part of the criticism of the Police Service has been that money is removed from one area and numbers of staff reduced in order to preserve levels in a different area. Is there a more comprehensive approach to workforce planning in the fire service?

Caroline Gardner: When I reported on police reform, I made the point that having a fixed target for the number of police officers made the financial strategy more challenging, because it reduced the room for manoeuvre in a very significant part of the budget. That is a policy that the Government is entitled to set and it has a consequence, which is that financial management becomes more difficult.

The fire service does not have the same constraints, which means that it is more able to work with its staff, the unions and local communities to look at different options for the way in which the fire service is provided. We think that the service is taking that opportunity well at this stage. That is not to say that there will not be some very difficult decisions further down the line, but it means that the service has more room for manoeuvre in looking at what the options might be.

Drew Smith: Perhaps those are lessons for politicians as well as for the people who run our emergency services.

I end with this point. You comment in the report about the reduction in the number of fire incidents, which of course we all welcome. How is that reflected in other parts of the world or other parts of the UK? Clearly, there is a long-term trend of reduction in crime, although we see the reduction used a lot as a measure of success for the Police Service. Is there a similar story to tell for the Fire and Rescue Service?

Caroline Gardner: There is. Again, I will ask Mark Roberts to pick that up in a moment. We are seeing the impact of prevention visits, which Mr Don referred to earlier, but also of much wider societal changes, such as people being less likely to use chip pans and improvements in furniture design. Mark, what do we know about the international comparisons?

Mark Roberts: We did not look in detail at international comparisons, but I understand that in many parts of Europe there is a similar pattern for exactly the same reason—European legislation on fire-retardant furniture applies across Europe, and therefore similar things to those that the Auditor General has just mentioned apply. I am sure that the fire service would be able to provide more information on that.

The Convener: I thank the panel for their contributions.

10:53

Meeting suspended.

10:59

On resuming—

The Convener: Colleagues, let us reconvene. We are looking at the Auditor General's report "The Scottish Fire and Rescue Service". I welcome to the committee Pat Watters, chair of the board of the Scottish Fire and Rescue Service, and Alasdair Hay, the chief officer of the Scottish Fire and Rescue Service. I understand that Mr Watters has a brief opening statement.

Pat Watters (Scottish Fire and Rescue Service Board): It is not really an opening statement. It is just to say that we welcome the report. It is always encouraging when outside organisations look at how we conduct our business and give us a report on that. We welcome the opportunity to answer the committee's questions.

The Convener: As a first question, I refer you to the question that I asked the Auditor General about the potential savings that have to be made by 2020, which are referred to in key message 3 of the report. For the record, do you accept those findings? Will you elaborate on how your organisation will seek to make those savings?

Pat Watters: We would not question the figures, but they are a projection rather than an exact science. We have our own projections that give us options for how to make those savings. Although it was mentioned that there is no long-term strategy, we have a critical savings pathway that takes us right through to 2020, and we have options in that. In light of the figures from Audit Scotland, we will look at the pathway and perhaps adjust it. However, the figures are a projection. I would not say that I accept the figures, but I accept the theory behind the calculation, and the impact on our budget if the calculation is correct.

The Convener: You accept that the direction of travel is that substantial cost savings will have to be made in the run-up to 2020.

Pat Watters: Yes.

The Convener: When it comes to the areas in which savings could be pursued, are there any red lines that you would not cross?

Pat Watters: Our first priority is to protect front-line and other services to communities in Scotland. That is an area that we would always try to protect.

The Convener: When you say front-line services, what would be off-limits? Past reviews have referred to control rooms, shift rosters and staff savings. Are those the areas in which your organisation would pursue savings, or would they be red lines?

Pat Watters: We will continue to pursue those areas. At the moment, we are doing a review of cover in Scotland to look at where the priorities and risks are and how we should tackle that. I am sure that the chief officer will want to comment on that.

Alasdair Hay (Scottish Fire and Rescue Service): I, too, welcome the report from Audit Scotland. The main purpose of the Fire and Rescue Service is to make communities safer. I am particularly pleased to note in the report that we are improving safety outcomes in terms of reducing the number of fatalities and fire and special services casualties.

In relation to the money that we have available to deliver safety outcomes for communities in Scotland, according to the report, the budget has been managed prudently to date.

Looking forward, everybody throughout the public sector anticipates a potential reduction in budgets. We are on track to deliver the savings that were identified through the fire reform process. The anticipated savings asked of the Fire and Rescue Service were £328 million by 2027-28 and we have had a strong focus on that.

Like Audit Scotland, we have projected forward to the financial year 2019-20. We have anticipated that our cost base will increase in the organisation. However, we have anticipated a steady-state budget. We will have to absorb the normal inflationary pressures and other changes in regulation and legislation, particularly the increase in the employer's contribution. The cost base will go up and we will need to maintain our budget at a steady state. We made that assumption because it was in line with predictions from Professor Goudie and because, working with our sponsor department, in the absence of decisions on what future budget provision will be, we felt that it was reasonable.

Even with that, we anticipated that we will have a funding gap of approximately £8.5 million by 2019-20. We estimated a potential reduction in our budget of 5 per cent, which would give us a funding gap of approximately £20 million. If we use the Office for Budget Responsibility's figures, that gap approaches £43 million. It is a potential gap. However, whatever the gap is, it is prudent that we plan for it. We welcome what the Auditor General's report says about strengthening our long-term financial strategy.

The approach that we will take on this will be to continue to look at the best-practice guidance offered by Audit Scotland. It is about a reduction in the number of people who work within the organisation. The report identifies that 79 per cent of our budget is based on staff costs, so to take that much out of the budget, we would have to

reduce head count in the organisation. We would also look at a rationalisation of our assets and the contracts that we engage in across Scotland. We will also look at streamlining processes and working in partnership on shared services with other public bodies and other organisations in Scotland. Those are the areas that we would look at, but our focus will always be on using the resources that we have to best effect to improve the safety outcomes of the people of Scotland.

The Convener: You referred to head count. Does that include firefighters?

Alasdair Hay: Firefighters are the key to delivering successful outcomes. I am always extremely reluctant to reduce the number of firefighters in Scotland. However, as was alluded to in the evidence given by the Auditor General earlier, we do not have a fixed number of firefighters in Scotland. We had approximately 4,000 whole-time firefighters before we came into the single service. As things stand, we have approximately 3,850 whole-time firefighters, so we have seen a reduction, but it is about the flexible way we deploy those firefighters, ensuring that we have available front-line emergency response vehicles and front-line staff who can deliver the essential prevention work that we focus on. We have reduced the number, but if we were to take the amount of money out of the budget that is being indicated in the report, we would have to look at a reduction in the number of whole-time firefighters across Scotland.

The Convener: Do you envisage that being done through compulsory redundancies?

Alasdair Hay: One of the biggest factors in ensuring what has been a successful reform to date is the promise of no compulsory redundancies in the Fire and Rescue Service. Going through a reform process is an anxious time for staff. It is the staff who have made the difference. That promise of no compulsory redundancies has meant that they have been very open to sharing their experiences, changing working practices and being flexible in their approach. If we were to remove that promise of no compulsory redundancies, it would have a detrimental effect on our ability to truly reform the Fire and Rescue Service and bring about the changes that will be needed in a changing environment. It is a Scottish Government policy that has been readily endorsed by the board and the senior management of the Scottish Fire and Rescue Service and I believe that it is a key element to success.

We have a workforce plan. Up to 2019-2020 we know how many people can be expected to retire through reaching their normal retirement dates. That number would go nowhere near addressing a reduction in our budget on the scale that the OBR

indicated might be possible in the Fire and Rescue Service and other public bodies.

Mary Scanlon: Why is the post-implementation review to monitor progress and look at whether you are on course to deliver the long-term benefits 20 months late?

Pat Watters: You are right that it is late. After six months was maybe too early to look at the effect of the transformation. The reform process is a three-year project. We have said that we will have the report with the Government shortly; it is certainly well on its way to being produced. I accept that it was late, but I think that we will get better information as a result of the delay.

Mary Scanlon: The audit results from the collecting of views from users, staff and stakeholders have not yet been published. Is there any reason for that? When is that due? I refer to page 11 of the report.

Alasdair Hay: Do you mind if I go back and address your first question? Carrying out a review of the reform process within the first six months was a recommendation by Audit Scotland in relation to the best practice guide on how to bring about public service mergers. I agree with Pat Watters that we will be better placed to produce a meaningful report when we have more experience of how we have brought the service together. Timing that towards the end of the third year will mean that the report will be more meaningful.

Particularly in the light of Audit Scotland's comment that the merger has been successful, and in anticipation that there will perhaps be further public sector mergers, it will be useful for people to learn lessons not only about what has not gone well in a merger, but also about what has gone well, so the timing is important.

That said, Steven Torrie, Her Majesty's chief inspector of the Scottish Fire and Rescue Service, carried out an inspection of the service in the first six months to ensure that we were on track to deliver the benefits of reform, and that the public were not noticing that there had been a change in the governance of the service as opposed to what we do to make communities safer, and he reported that it was being managed well.

We have also embarked on a series of gateway reviews to ensure that the whole management programme is being conducted robustly. That is focused on the blueprint for delivering the benefits of reform. We have had a series of those reviews—one before we went live as a service, one in the first year of the new service and a recent one, which indicated that we were green and on track to deliver the benefits of reform.

I am confident that, when we get to the end of the three years, we will have delivered the benefits

of reform and we will be in a place to produce a useful and meaningful report that can help others in the future.

Mary Scanlon: Okay. I move on to exhibit 9 on page 25 of the report, which states that, in 2013-14,

"Firefighter absences were 9.1 shifts against a target of 8.4".

You have changed your target. I appreciate that, for 2014-15, we are talking about the end of the quarter three, but the absences were

"7.1 shifts against a target of 6.4".

That is quite a reduction in the target. The figure for other staff absences was

"6.3 shifts against a target of 6.0"

in 2013-14, which has been reduced to

"4.5 shifts against a target of 2.6".

We often sit here and criticise the national health service for not reaching a 4 per cent target, but you have significantly reduced your targets for both firefighter and staff absences, neither of which were met last year. Is that a reasonable thing to do? Is it part of the cost-cutting exercise? Does it reflect the normal, on-going needs of your firefighters and staff?

Pat Watters: It is important that we encourage staff to attend work where that is appropriate. We are an emergency service, and our firefighters in particular work in extremely dangerous circumstances. At times, the reason why people are off ill is work related. Equally, in times of change, it is extremely difficult to ensure that staff are comfortable going forward. Our staff have been under a tremendous amount of pressure during the past two years. It is only in recent weeks that we have concluded a review of our support staff—as a matter of fact, we went out to ballot for that on Tuesday this week. The fact that people were guaranteed a job and knew that they had a job but maybe did not know what that job was or where it was caused extreme pressure for the staff. They were under a lot of strain during that period.

We hope that, if we get an agreement with the trade union on how we move forward in our staffing structure, things will settle down and become a bit clearer for staff, and they will have a much easier time as a result of that.

11:15

Mary Scanlon: It was very much because of the dangerous circumstances and the harrowing experiences of many firefighters that I was shocked that you have reduced the target for absences from 8.4 to 6 shifts. For staff, the target

has gone down from 6 to 2.6 shifts. We all want to encourage people to go to work, of course, but at the same time we have to respect the fact that, sometimes, people are ill, and sometimes it will take firefighters a bit of time to recover from some of the experiences that we expect them to have.

Given that the targets were not met, I am shocked that you have brought in significant reductions in your targets for both firefighters and staff. I ask about that against an understanding of the incredible work that they do.

Alasdair Hay: I am grateful to hear the concern for staff who work within the Fire and Rescue Service. Firefighters work in an inherently dangerous environment—

Mary Scanlon: We all respect that.

Alasdair Hay: —and they see things that are quite harrowing, at times. Because of that, we have a very supportive system within the service. The welfare of our staff is uppermost in our thoughts.

I will explain the staff attendance target to you. It is set within the fire and rescue framework for Scotland. The way that it operates is that the target that we have to aim to hit is based on average attendance in the previous three years. We have to get to the middle of the average of the best-performing antecedent service over the past three years. Every year, as we roll forward, the target automatically changes because of the way that it was set up within the framework.

The report clearly demonstrates that attendance has improved in the Fire and Rescue Service, and it also shows that the targets have got tougher because of the way that the arithmetic works in the target that has been set up in the framework for the Scottish Fire and Rescue Service. That does not detract from the fact that we absolutely understand that good attendance is important in all parts of the public sector and in all organisations but, equally, we have a very supportive welfare system within the Fire and Rescue Service.

Mary Scanlon: I appreciate that, but before I move on to my final question, I ask whether the unions that represent your members are content with the significant reductions in the firefighter and staff absence targets.

Pat Watters: We have a very good relationship with the representative bodies for both firefighters and our support staff. They are willing to work with us to ensure that we treat staff with dignity and provide support when it is necessary, but also that we try to ensure that we get the maximum possible attendance.

The targets are not an attempt to get people who are ill or injured back to their work, but an indication that we want to try to achieve the

maximum attendance that is possible. We will always work with our trade unions to try to ensure that we do that sympathetically.

Mary Scanlon: I understand all of that, but I did ask you the question and, if I may, I would like to have an answer. Maybe I am pursuing the wrong issue, but—

Pat Watters: I cannot answer on behalf of the trade unions.

Mary Scanlon: You work day and daily with the trade unions that represent the firefighters and the staff, and I would like to know whether they are content with the significant reductions in the targets for absences that are contained in the Audit Scotland report. That is all that I want to know. I know what your commitments are. I am just asking a direct question.

Alasdair Hay: I have not asked them that specific question.

Mary Scanlon: So they do not know about this.

Alasdair Hay: They know about the targets, but—

Mary Scanlon: And they are quite happy with them, are they?

Alasdair Hay: I have not asked the question in the manner in which you presented it to me, but I am happy to go back and do that.

We have a partnership working arrangement with all our trade unions, but particularly the Fire Brigades Union—we are speaking about firefighters. We recently produced a new attendance management policy to underpin procedures for the Scottish Fire and Rescue Service. We did that working in partnership with the Fire Brigades Union, so it understands the targets that have been set. It has also worked with us to ensure that our policies and procedures are designed to improve attendance and are supportive of the staff who work within the organisation.

Mary Scanlon: Perhaps I will get a visit from firefighters, but we will see.

My final question is about retained firefighters.

The Convener: Please be brief.

Mary Scanlon: I will. The convener asked you about losing staff and head count. In the Inverness area, there are vacancies of more than 30 per cent for retained firefighters, and I know that 85 per cent of Scotland's 359 stations rely wholly or in part on that service. It is a matter of serious concern to people in remote and rural areas that retained firefighters have to commit to up to 120 hours a week. That barely gives them seven hours a night to sleep. They have to commit all that time

to the service. Do you think that you would get more retained firefighters if you were to reduce that level of commitment, given that people have families and jobs and so on? Are you concerned about the 30 per cent vacancies around Inverness?

Pat Watters: I will start off, and then I will hand over to the chief officer to answer that. Are we concerned? Absolutely. I do not think that this is the first time that we have said to a parliamentary committee that we have an issue with the retained duty system, and that is why we have made it a priority. We need to make a system that works and delivers for rural communities in Scotland.

We believe that the retained duty system is broken. That has happened not within the past two years but probably within the past 10 to 15 years. There have been various attempts—not only in Scotland but in other areas of the UK and elsewhere—to look at how we can operate a retained duty system and make it work. You are right—family circumstances have changed and the commitment that we ask people to make is a big one. That is why we have made it a priority to carry out a piece of work on how to take the matter forward, and it will report probably before the end of this year.

Mary Scanlon: Is that a commitment?

Pat Watters: I cannot say what the outcome will be, because it is still a work in progress.

Mary Scanlon: No, but you will be looking at that.

Pat Watters: Yes—absolutely.

Alasdair Hay: Of course I am concerned about the availability of retained firefighters across Scotland. We are a service that is focused on improving safety outcomes, and it is predominantly our firefighters who do that through their prevention activities and emergency response. We want to maximise the availability of our staff irrespective of the duty system that they operate. The report makes clear how significant retained firefighters are to the safety of communities across Scotland, particularly in rural areas. More than 90 per cent of Scotland's land mass is protected by retained duty firefighters, and more than 40 per cent of our operational staff are retained.

However, as the chair of the service has just pointed out, this issue has emerged not in the past couple of years but probably over the past couple of decades. The retained duty system as we know it was designed for the 1950s, and the society of the 1950s would be unrecognisable compared with how things are now. We must design a retained system—if that is what we are going to call it—that is fit for purpose for the 21st century.

We are doing two things. First, we are looking at the current duty system, which includes the commitment to 120 hours, and at how to make that as effective as possible. I will give you a little example. Recently, we were up at Beaully in the Highlands to speak to staff there, and they told us about the unavailability of their pump during the day. They told us that there used to be a number of shops in the village and that someone from each of the shops would commit to coming to crew that fire appliance. There is now one national chain that has a shop and it cannot release staff to crew that appliance.

Mary Scanlon: There are quite a few other shops in Beaully.

Alasdair Hay: Yes, but most people now work outwith the town. The staff told me that a couple of people were interested in joining the service—this was prior to the reform—but the recruitment process took more than 12 months, and by the time they got to that point, the people had lost interest. One of the things that we have done to make the current system as effective as possible is to streamline all the processes, so people will know within two months whether they will be getting into the retained fire service.

We are also making sure that we are looking at the options for the future. How would we design a new service that is fit for purpose if we had a blank piece of paper? We will have a report on that by the end of the year.

The Convener: Can we try to keep our questions and answers as succinct as possible? Mary Scanlon has not exactly shown us how to do that, but I am sure that other colleagues can.

Mary Scanlon: Sorry.

Colin Beattie: Page 29 of the report says that 57 per cent of emergency incidents are false alarms. That seems a huge percentage, although I must confess that I have contributed to that a couple of times. The report says:

“The number of false alarms caused by equipment malfunction or failure has risen by five per cent”.

Overall, however, in roughly the same period, the number of false alarms fell by 12 per cent.

I am concerned about equipment malfunctions increasing as a percentage and about the 57 per cent of incidents that are false alarms. Are we making real progress in sorting that out? It represents a huge cost, especially when you are going through the cost constraints and budget reductions that we are all suffering from.

Alasdair Hay: We want to reduce the number of false alarms that occur. Most of the cost is the anticipatory cost, because most of the stations that attend those false alarms are in our big cities of

Glasgow, Edinburgh, Dundee and Aberdeen—although they do also occur across the rest of the country—and we have the appliances and crews that attend those incidents waiting at the stations. There is potential to reduce costs there, but it is not so much about direct cost and making financial savings. It is more about the opportunity costs, because those crews could be engaged in more meaningful work to drive down risk even further across Scotland. We have a big focus on that.

Recently, we carried out a piece of research to look at all the false alarms and why we get so many of them. We have a business engagement forum in the Scottish Fire and Rescue Service and we have also invited some other key stakeholders to take part in that research. We should bear in mind that a fire alarm system is an essential piece of safety equipment that saves many lives. The first alert to the Glasgow School of Art fire came from an automatic fire alarm system. Early detection and alerting the SFRS is something that I would strongly encourage.

Some early findings of the research show that many of the systems are not maintained or managed as effectively as they could be. We are working with the industry on that. There is a predominance of false alarms occurring in systems that are more than a decade old. We are looking to work with the industry and perhaps the regulators to look at ways in which such systems can be refreshed so that they do not make unnecessary calls to the Fire and Rescue Service. That will allow us to make best use of our firefighters in our fire stations, who are an essential public resource.

11:30

Colin Beattie: According to paragraph 58, it appears that the estimated costs of false alarms are based on a 2002 figure and that, therefore, the cost is likely to be much higher. Do you agree?

Alasdair Hay: Those figures are based on “The economic cost of fire”, which is put out by the Department for Communities and Local Government. I do not know when the DCLG is going to update them; I hear that that work is being progressed. Of course, since those figures were produced, inflation has had an impact on costs and one would expect them to be higher.

Colin Beattie: So the figure is probably going to be at least a third more than the £19 million suggested in paragraph 58.

Alasdair Hay: Yes, but you should bear in mind that that £19 million is not necessarily a cashable saving that we can make. The anticipatory costs—that is, of the fire station, the fire appliances and the staff to respond—will predominantly still be there. The issue is the non-cashable savings, and

the ability to deploy resources to better effect is where a real difference can be made.

Colin Beattie: Is there any capability or mechanism that would allow you to be reimbursed for the costs of answering, say, multiple false alarms at the same address? I would have said that, if an alarm system that someone failed to maintain or rectify caused you to be called out on multiple occasions, you would be justified in making a charge.

Alasdair Hay: We have looked at the issue and my understanding is that we do not have the power to charge in that situation. I understand the thinking behind the idea, but I have to say that I am not convinced that it is entirely the right thing to do, because, to me, it sounds punitive.

Let me give you an example of what we have done in Dundee, where I live. Every year, we would get multiple false alarms when new students came into the halls of residence. However, after looking at those alarms, recognising the pattern and working with the university authorities on an education and management process, we have seen the number of false alarms fall dramatically. Such partnership working—which is, in fact, the whole thinking behind the project that we are undertaking in Glasgow—is perhaps a better way of addressing such a challenge.

Colin Beattie: Paragraph 55 says that the number of actual fires has gone down—and, indeed, has gone down fairly substantially—possibly as a result of home safety visits. I have been interested in your views on alternative functions for the fire brigade to compensate for that reduction, because when I recently visited two fire stations in my own area I was told about incorporating visits to vulnerable people and working with the NHS and local health boards. Is that a viable way forward? Is that the way in which the fire brigade will be going in future?

Pat Watters: The chief will obviously give you a more detailed answer to your question, but the short answer is absolutely yes. Because of its trusted brand, the fire brigade can play far more of a role—and, indeed, a different role—in many communities throughout Scotland.

We need to remember that we are not just a fire service—we are a fire and rescue service. Although fire has a big impact and is a tragedy for those who suffer as a result of it, tackling it is not the main day-to-day function of firefighters. It is, of course, part of their role and it is vital that they have the expertise to deal with it when needed, but we can play a wider role. We have a badge that can get us in where many other badges—for example, those of the police, the Ambulance Service, the health service or social work—cannot,

and we can play a role as a partner with other partnership organisations to improve delivery and outcomes for communities.

I am sorry—it is a bit of a hobby-horse for me. I will now hand you over to the chief.

Alasdair Hay: One of the challenges from the Christie commission report is the shift to a much more preventative model, and one of the keys to that is partnership and finding out where the whole of the public sector, including the voluntary sector and others, can work in partnership to improve outcomes.

That work might not necessarily relate to one's direct responsibility. Ours is clearly to drive down the risk in relation to fires and other emergencies and to respond to such incidents. However, if we can deploy that brand or the skill sets that we have to help other partners to meet their outcomes, we really ought to be doing that.

Equally, although the fire service must take considerable credit for a great success story in driving down risk and reducing the number of fire deaths and injuries that occur in Scotland, we must recognise that other partners have made a significant contribution. The health education campaigns around healthy eating and stopping smoking have a big impact on our outcomes.

Partnership working through joining up the resources of the public sector to improve outcomes—and not necessarily the obvious ones—is something that the Fire and Rescue Service is absolutely committed to.

Colin Beattie: That sounds great.

Tavish Scott: I wonder whether we can return to Mary Scanlon's questions about the retained service and link them to the convener's points about funding. You have been open about the cost pressures that you face. Do they have implications for the redesign of the retained service that you described in an earlier answer to Mary Scanlon?

Alasdair Hay: We need to deploy the resources that are available to us to best effect, and the retained duty system has been cost effective. However, one of the perverse things about the retained duty system is that people are paid on activity: the more fires and emergencies that they attend, the more they are rewarded. Our organisation's number 1 aim is probably prevention. Who designs a system that rewards against its number 1 aim? Pay and reward systems should surely exist to ensure that the organisation meets its aims.

When we look at the retained duty system, we will have to look at how we reward—in the wider sense but including financially—our retained duty staff for what they do within their communities. We must ensure that they are available when they are

needed and look at how they commit to carrying out community safety-type activities, because they are the local people in those communities.

There is also a big challenge in relation to competence in the retained service. A report by the Health and Safety Executive said that the single biggest safety issue that the UK fire and rescue service faces is the competence of retained duty firefighters. It is great that there are fewer operational incidents but, given that we have a competence-based training framework, we need to train people more, because they are not getting the on-the-job experience that they might have had previously. We must focus on the competence of our retained duty firefighters.

Those three things will link to a pay and reward system, which will then link to the financial resources that we have available to us to protect people in Scotland.

Tavish Scott: Is there not a difficult balance to be struck between competence and experience based on what action our firefighters actually see? If there are fewer incidents, which is by definition a good thing—Colin Beattie has been driving at that—firefighters gain less experience. It strikes me that there is a difficult balance to be reached in deploying to an incident experienced staff who are competent to deal with it.

Alasdair Hay: That is one of the challenges that the Scottish Fire and Rescue Service is trying to meet, and we have the economies of scale and scope to do that, which some of the antecedent services perhaps did not have.

The training that we give to our retained firefighters needs to be focused on risk, so we have a system in which there are 46 generic risks. We can train a whole-time firefighter in all 46 of them over a period of three years. For our retained firefighters, 11 of the risks are common to everybody while eight are optional, and, depending on the risks that they are likely to attend in their locality, those are the eight that we will focus on to ensure that they are competent in the activities that we will ask them to engage in on behalf of their communities. Allied to that, because our retained firefighters do not get the experiential learning that they might have had previously, we have to provide realistic training facilities.

There is no reason at all why someone cannot develop the competencies if there is an appropriate training programme. We therefore have a substantial investment programme across Scotland to make sure that the facilities are accessible to retained firefighters, which means that they are as close as possible to their communities.

Tavish Scott: The Sumburgh training facility is very realistic—I have been there and it is frighteningly realistic.

I will ask two questions. First, I take it that staff have been involved in the review that you are currently carrying out. Is that right? Secondly, you said earlier to Mary Scanlon that the review was due to finish in December. Can we assume that in 2016 the Fire and Rescue Service will be rolling out the new model you referred to, whatever it will be called and however it will be configured? In other words, will staff have certainty next year, in 2016, on how you envisage the new service being structured?

Alasdair Hay: Staff have absolutely been involved. Although I have been in the fire service for 32 years, I have never worked on the retained duty system. I have always lived in big cities and been a whole-time firefighter. Those who work on the RDS system know what it means to have the pressures and challenges of balancing their commitment to the fire service with their other employment or business and their family life. We really have to listen to them. Many of the solutions we seek will lie within their experience, their knowledge and their ideas.

We set up the process to have RDS staff in the project, but we also have a wider range of RDS staff who act as a sounding board for the whole project. Listening to them and getting their experiences is absolutely crucial.

We are working very closely at the moment with some of our local authority colleagues on what a redesigned service might look like. We hope that shortly we will be running a pilot in Aberdeenshire, East Lothian and Scottish Borders—obviously, there are a lot of rural areas there—to test some of our thinking. We hope that a pilot will be up and running towards the end of this year.

The findings of that pilot will feed in to our wider thinking. We have looked not just at what is happening in the UK but at some of the Scandinavian models, and what is happening in Sweden and Finland in particular. We have also done a literature review from around the world, focusing particularly on New Zealand, which nationalised its fire service in the 1990s. It was previously set up like the UK's service with RDS, and it has taken the particular route of increasing volunteers.

After learning all those lessons and running some pilots, we hope to be in a position next year to begin reforming the service and drawing up an action plan to deliver a new-look RDS system. That is what we are aspiring to.

Tavish Scott: I have one final question. You mentioned the Christie report earlier, in the context of efficiencies and saving money. Presumably that

includes co-location. I am thinking of Lerwick, where there is a very sensible plan to co-locate with the Scottish Ambulance Service. That presumably saves money for both organisations. Do I take it that the plan for Lerwick is going ahead and is part of a wider plan across Scotland?

Pat Watters: Certainly there are some excellent examples on the ground of where there is to be co-location. The one you are talking about is co-location with the Ambulance Service, where we will get triple location of the police, fire and ambulance services. We have set up a committee of the chairs—myself from the Scottish Fire and Rescue Service, and the chairs of the police and ambulance services—which meets on a regular basis to discuss how we move forward together.

We have several projects on the ground. We are looking at different options where we can work together and undertake early intervention to support major projects. We are looking at where there are major projects, who has them and whether the other organisations can fit in to the plans and do something different that delivers better on the ground and is more efficient. That is an on-going process: the committee meets every three months, and we have regular meetings with our officers. Alasdair Hay may have other examples.

Drew Smith: Like others, I should congratulate the chair and chief officer on the success that is demonstrated in the report.

In relation to where we started, is the almost £43 million that Audit Scotland identifies as the potential funding gap a wake-up call to the fire service in Scotland? Does it indicate the degree of challenge that you may face in the future?

Pat Watters: No—it is not comfortable knowing the possibility of that gap. As you say, it is a projection, and we need to be aware of that and get the scenarios in place to ensure that we deal with it. We should plan for the worst and hope for the best, but is it comfortable to know the possibility of that happening? No, it is not.

11:45

Drew Smith: Was that figure in your heads in your own planning before Audit Scotland presented it to you?

Pat Watters: No, it was not.

Drew Smith: Why was that?

Pat Watters: As the chief officer indicated earlier, when we did our initial projections we were expecting to get a flat cash settlement. We then looked at what would happen if there were a 5 per cent reduction in cash. We have a critical savings plan to deal with that reduction, which would take

us to a £20 million shortfall. We will now have to consider how we address the projection that has been made by Audit Scotland.

We have a long-term savings plan and projection in place, but it does not take into account the higher sum. We will have to sit down and look at that, to see what that would deliver in the future.

Drew Smith: I appreciate that it is not a figure that you would want to accept, but it is a figure that you do accept. When you produce the report for March 2016, will you set out how you would seek to address a funding gap of that level? Would that be among the options?

Pat Watters: It will probably be one of the options.

Drew Smith: Can you give us an assurance that the report for March 2016 will contain that?

Pat Watters: Yes.

Alasdair Hay: I would not describe it as a “wake-up call” for the Fire and Rescue Service, but it is a very important and timely recommendation by the Auditor General. I hope that the committee will understand that, in bringing about the single fire and rescue service, our biggest focus was on business continuity: ensuring that we continued to deliver our prevention and emergency response services. It is not an insignificant challenge to merge nine organisations—the Fire Services College also became part of the SFRS—into one. That has taken a significant amount of our staff’s time, effort and energy.

We had done some long-term financial forecasting using our critical savings pathway, where we feed in all the ways in which we can potentially reduce the organisation’s cost base at the same time as protecting front-line service delivery. The robustness that it took to do that has been pointed out by the Auditor General. Although we have all the components to feed into our critical savings pathway, it will be extremely important to do it in the way in which it is suggested in the report to ensure the long-term success of the Fire and Rescue Service.

Drew Smith: You have responded to the Auditor General’s report in a very honest way, which makes it clear that the focus is on us all to think about what the impact of the funding gap would be in terms of the public’s expectations of the service and the other pressures that are on you. I will leave that point there.

I will return briefly to the question that Mary Scanlon asked about absence levels. If I understood you correctly, chief officer, you were saying that the absence targets were a function of different absence levels within the previous

services and that the national targets were driven by the best-performing predecessor services. What degree of difference was there across the predecessor authorities? How close together were they, what were the outliers and are they continuing in the new service?

Alasdair Hay: The variation between the different services was quite marked. It is also quite marked within different staff groups in the organisation. We sought to understand why there was a variation and why there are differences in different staff groups. That is the basis on which we have produced our new attendance management policy, looking at best practice not just within but outwith the service. We have put in place sympathetic and supportive procedures that would enable the policy to lead to an improvement in attendance within the service.

Previously there was some considerable variety, and we have sought to understand why that was the case to learn the lessons so that we can improve attendance in a supportive way.

Drew Smith: Can you elaborate on what some of the drivers of those differences might be? Do they involve areas where forces are more dependent on RDS than others or forces that are in rural rather than urban areas, or have there been management issues in particular services? What are the drivers of the differences?

Alasdair Hay: The difference is not based on whether services are rural or urban; that is not one of the major factors. Some of the major factors have been around how much priority has been put on good attendance by the Fire and Rescue Service and what types of supportive mechanisms, such as occupational health, have underpinned a successful return to work. That type of stuff is where the variety lay within the antecedent services. Those are the things that we looked at to see whether they were working well in a cost-effective way. We have brought those into the policies and procedures of the new service.

Stuart McMillan: It has been reported that there will be an emergency budget by the UK Government in July. I imagine that that will have some consequences—positive or negative—for the Scottish budget. I assume that the witnesses will look at that budget and assess its potential implications for the Fire and Rescue Service’s finances for the coming year and following years.

Alasdair Hay: Absolutely. We take a keen interest in all the decisions that are made in both the UK Parliament and the Scottish Parliament regarding budgets and the priorities within them.

We, of course, would put across a strong case for the effectiveness of the Fire and Rescue Service and the wider contribution that it makes, but we recognise the importance of things such as

the UK budget that is set by the chancellor. We would try to see what the implications of decisions made there are for the Scottish Fire and Rescue Service and feed them into our financial planning and strategies.

Stuart McMillan: I assume that you would contact the Scottish Government to raise any thoughts or concerns that you had as a consequence of that budget.

Pat Watters: Certainly, as we meet the minister regularly. We meet the minister once a month to discuss issues, and we have an agenda for that. Through those meetings, we raise any concerns that we have or any support that we are looking for from the Government. To date the minister has been very supportive.

Stuart McMillan: Paragraph 69 of the report touches upon discussions with the Scottish Ambulance Service. What challenges or opportunities are there across Scotland in working with other parts of the public sector—considering not just the Ambulance Service, but the whole range of the public sector—to develop further shared approaches to responding to emergencies?

Pat Watters: I will pick that up and then hand over to the chief officer, who probably has more of an overall view. There are undoubtedly opportunities for us across the whole of the public sector to work better with partner organisations.

We can look at our statistics at the present time. For instance, we reported recently that, of the deaths that have happened in Scotland, 10 or 11 have been fire suicides. That would indicate that we need to work better with health organisations to understand why that is happening so that we can prevent it, if possible, in the future.

Other fire statistics show that things have changed dramatically, in the sense that more and more elderly people are living at home on their own. They may be coming out of care and getting support from other care organisations, but they are the most vulnerable people in our community. We need to work better with our partners in local government, the care sector and health to ensure that, where people are vulnerable, we are aware of it and can lend our support to ensure that they are as well protected as possible.

There are areas that we can work on and areas in which we need to work in partnership. If one service could do this all on its own, it would have been done, but it takes partnership working and that requires early intervention and the protection of people.

Alasdair Hay: Being a national service gives us the opportunity to deliver economies of scale and scope. However, we can never forget that the vast

majority of our services—the ways in which we make a difference—are delivered at a very local level, often in partnership with other public agencies, the third sector and the private sector, so I would not limit the partnership activities that we could get involved in. We have a lot of core skills and we know what our core responsibilities are, and those skills are very transferable to help partners to achieve their outcomes. We are focused on making a contribution, in the most effective way that we can, to the achievement of all 16 national outcomes.

The out-of-hospital cardiac arrest strategy that has been developed in Scotland is highlighted at the end of the report. Scotland has the unenviable record of having one of the lowest cardiac arrest survival rates in Europe—it is around 4 per cent, whereas the best survival rates in Europe are up at 34 or 35 per cent and there are places in North America where the survival rate is pushing 40 per cent. The ambition is to save 1,000 lives. The report that we spoke about earlier, “The economic cost of fire”, puts the societal cost of a fire death at £1.6 million. It seems crass to put a financial cost to such things, but people do. If we can save 1,000 lives, the Fire and Rescue Service will have made a significant saving to the Scottish economy.

We attended a successful launch of the strategy—a symposium just along the road in George Street, Edinburgh—at which there was a presentation by the Seattle fire department, which had been invited over by the Scottish Government because Seattle has a cardiac arrest survival rate of 40 per cent. The title of the presentation was, “The fire and rescue service: a game changer”. If we can harness the capacity of an organisation such as ours, which has a network of stations and an ability to put people on the ground in significant numbers more quickly than any other organisation, we can make a difference and save 1,000 lives. If you want to put a cost to that, it would be 1,000 times £1.6 million, which would be a significant saving quite apart from our moral responsibility to save lives.

There must be partnership working to improve outcomes, and you should not limit the opportunities for that. There are some obvious ones that we will focus on, such as the out-of-hospital cardiac arrest strategy.

The Convener: I remind everyone to keep questions and answers focused.

Stuart McMillan: The examples that have just been provided sound like another justification for what has happened. Paragraph 13 of the report, which was quoted earlier, says that the previous joint boards were poorly supported. Given what you have just said, it sounds as though the changes that have taken place will provide you with an even greater opportunity to work jointly.

Even though the joint boards were there beforehand, they were not working to deliver the wider outcomes that you have highlighted.

Pat Watters: I was an elected member at a local level for 30 years and I was never a great fan of the joint boards, because they watered down the effectiveness of service delivery. Did I have the answer to what should replace them? No, I did not. Are we now better placed to have more people involved and to see more elected representatives involved in what we are doing? Absolutely, we are.

Local government reorganisation took place in 1996 and I stepped down from local government in 2012. At my authority, I had never heard a report from representatives from either the police or the fire service. Between being appointed as the chair of the Scottish Fire and Rescue Service in September 2012 and taking over in April 2013, I made inquiries about other authorities that were part of joint boards—Fife and Dumfries and Galloway were not joint boards—and very few of them had had a report back, which means that the people involved were very limited.

12:00

Now, in North Lanarkshire, our LSO reports to 16 elected members—previously there were five board members. Those 16 members report directly to the council on what the interaction has been. Elected members now have much wider involvement: they have the right to scrutinise service delivery in their area and they ensure that we are delivering on the plan that has been jointly agreed. That is just one example, but there are many.

We cannot tell local authorities how to carry out that scrutiny—they adopt the process that suits their purpose—but we now have a better system. We have met every local authority over the past two years—many of them more than once—and not one of them has told us that the interaction with the Scottish Fire and Rescue Service is worse than it was before.

The interaction has improved, largely down to the legislation and the LSOs working on the ground with the individual authorities, but also because board members and other officers have been committed to ensuring that it works. The real commitment to ensuring that it works is down to the commitment of our staff, from the chief officer down to the cleaners in the stations and everyone in between.

The Convener: Can you clarify what you mean by LSO?

Alasdair Hay: LSO stands for local senior officer.

Nigel Don: Most of my follow-up questions have been asked.

As it happens, last Friday, I came across a very serious accident in my constituency and I took the opportunity of stopping and talking to some of the staff. I was sufficiently affected by what I saw that I changed what I did that morning, on the basis that I thought I would probably not contribute as I might have done to the meeting that I had planned to go to. If that is the experience of your staff every day of the week, we have to bear in mind that they work in quite trying circumstances. Your earlier comments are much appreciated.

Pat Watters: Thank you.

Colin Keir (Edinburgh Western) (SNP): Good afternoon. I have one question that I do not think you have been asked, on the issues that are raised in paragraph 26 about the control room closures. We have a couple of paragraphs on that, but will you expand on that by reviewing how far you have got, what you have found and your judgment on the closures as well as the performance rates?

Pat Watters: Certainly. We have reflected on what we have done. There has been one control room closure: Dumfries and Galloway control room was merged into another control room. It was closed more quickly than the others because of the condition of the equipment in the control room—the manufacturers had told us that they could not guarantee repairs. The manufacturers had also told the previous authority that they could not guarantee repairs because the equipment was so old and outdated. We had to do something to ensure that that was working properly.

Looking back on what we have done, when we took the initial decision in September 2013 about how we would take forward our control room programme, the major fault was that we perhaps did not have enough discussion with the authorities that were going to be affected by the change. I freely admit that. We have tried to take steps to ensure that that discussion happens.

The merger of Dumfries and Galloway control room with the Johnstone control room, which was the former Strathclyde control room, went absolutely seamlessly. It was a fantastic exercise. The chief officer and I met all the staff in Dumfries and Galloway on more than one occasion, explained what the options were, what we could try to do, how we would manage that process and how we would get the knowledge transferred. This year we will merge two further control rooms—the control rooms at Maddiston and Thornton will be merged into the Edinburgh control room when the refurbishment is completed. We hope that that will also be absolutely seamless. The transfer will not happen if we are not confident that it will be.

If you are asking me to look back on what we could have done better, I would say that when we took the initial decision, we could have been more in contact with the organisations that would bear the impact of that, particularly local authorities. However, the transfer went seamlessly and we have no indication that what we plan to do in the future will not happen smoothly. We will have further discussions with the relevant organisations.

The Convener: Okay. I thank Mr Watters and Mr Hay for their time this morning.

“Reshaping care for older people”

The Convener: Agenda item 5 is a further response from the Scottish Government to the committee’s report, “Reshaping care for older people”. Does the committee agree to note the report?

Members *indicated agreement.*

The Convener: As agreed earlier, we will continue in private.

12:06

Meeting continued in private until 12:24.

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