



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# FINANCE COMMITTEE

Wednesday 1 February 2012

Session 4

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**Wednesday 1 February 2012**

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**FINANCE COMMITTEE**

**4<sup>th</sup> Meeting 2012, Session 4**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Gavin Brown (Lothian) (Con)

Mark McDonald (North East Scotland) (SNP)

\*Michael McMahon (Uddingston and Bellshill) (Lab)

\*Elaine Murray (Dumfriesshire) (Lab)

\*Paul Wheelhouse (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Dr Emma Disley (RAND Europe)

James Dornan (Glasgow Cathcart) (SNP) (Committee Substitute)

Jonathan Flory (Social Finance Ltd)

Mark Graham (PricewaterhouseCoopers)

Mike McCarron (Apex Scotland and Addaction)

Andrew Muirhead (Inspiring Scotland)

John Swinney (Cabinet Secretary for Finance, Employment and Sustainable Growth)

Duncan Thorp (Social Enterprise Scotland)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

Committee Room 1



## Scottish Parliament

### Finance Committee

Wednesday 1 February 2012

[The Convener opened the meeting at 10:00]

### Decision on Taking Business in Private

**The Convener (Kenneth Gibson):** Good morning and welcome to the fourth meeting in 2012 of the Finance Committee. I remind everyone present to turn off mobile phones, BlackBerrys and pagers.

Agenda item 1 is to decide whether to take item 4 in private. Are members content to do so?

**Members** indicated agreement.

## Fiscal Sustainability (Additional Funding Methods)

10:00

**The Convener:** Item 2 is the fourth and final round-table discussion on the theme of fiscal sustainability. The discussion will focus on additional funding methods. I welcome to the meeting Mr Jonathan Flory of Social Finance Ltd; Mr Andrew Muirhead of Inspiring Scotland; Mr Mark Graham of PricewaterhouseCoopers; Mr Duncan Thorp of Social Enterprise Scotland; Dr Emma Disley of RAND Europe; and last but not least Mr Michael McCarron of Apex Scotland and Addaction.

As we are taking evidence in a round-table format, there will be no opening statements and we will proceed straight to questions. If any of the participants would like to respond to a question or make a point, they should indicate that to me or the clerk. As I forewarned Mr Flory, I will turn to him first. One of the introductory documents that committee members have been provided with states:

“Social Finance Limited suggests in its submission that”

payment by results

“may be particularly suited to preventative spending programmes given the necessary risk involved. They argue that ‘outcomes-based contracts, such as Social Impact Bonds, allow government to outsource the risk that poor implementation results in interventions failing to achieve expected outcomes.’ By transferring the risk it should be easier for governments to address social problems earlier.”

Mr Flory can lead us off by explaining how payment by results would work and what the implications would be not just for social policy but for individuals and communities.

**Jonathan Flory (Social Finance Ltd):** Thank you for the opportunity to be here this morning. Payment by results is very much a feature of the landscape that we all live in at the moment. To a degree, that is the backcloth of the benefits that we think social investment may be able to bring to helping social needs. The social impact bond or social investment is helpful for preventative spending because it brings finance into an area that may be unproven, with methods that may be innovative. The finance is linked specifically to positive social impacts and social outcomes, and it is rewarded only if those social outcomes are achieved.

Payment by results is a proving ground for models that are innovative in the sense that they may not have been tested in a particular area or they build on initial experience elsewhere that can be rolled out in an improved way, and it is a structure that is beneficial for promoting social

enterprises that deliver services locally, with local expertise meeting local needs. Those are aspects of how the payment by results model can help to deliver effective service provision in a way that transfers the risk of outcomes not being achieved away from the commissioning budget and ensures that any financial returns are directly linked to a positive social impact. Those are some of the aspects that support payment by results and social investment.

As we look at how Government is commissioning across the piece, for example in relation to the work programme that was recently rolled out nationally, we can see that a high proportion of the revenues that service providers can generate is linked to successful outcomes. In the work programme, roughly 90 per cent of a provider's income is linked to getting individuals into sustained employment and only about 10 per cent of revenues are linked to attaching individuals to the start of the programme.

We live in a world in which payment by results is very much the backcloth to Government procurement and commissioning. In that context, social investment models—of which the social impact bond is only one, I hasten to add—have a part to play in stimulating effective interventions to help locals.

**The Convener:** If such models are not introduced, will certain individuals be likely to miss out completely on state assistance?

**Jonathan Flory:** In any budgetary process, there is a wish list for where we would like to spend money and we must prioritise. In some cases—particularly in preventative areas—Government would like to be able to spend but simply is not capable of doing so. In such a context, social investment is a useful tool, because it enables Government to transfer the cost of the programme and ensure that it pays for it only if there are visible, previously identified and previously valued social outcomes.

**Paul Wheelhouse (South Scotland) (SNP):** I am fascinated by the area and I thank all the witnesses for coming to give us evidence. A couple of things occurred to me when I was reading your submissions. On page 4 of the report on the Peterborough prison pilot, it is suggested that, with the benefit of hindsight, the project was perhaps too small to be commercially attractive. PWC talked about the issue of what the conditions for success might be, and Inspiring Scotland noted that there are barriers and potential problems to do with the tax treatment of payment by results.

At what size of project does the approach become viable in attracting social investors? What can we do to stimulate demand from investors? What steps can the Scottish Parliament take to

influence tax policy, which is currently reserved to another place?

**Dr Emma Disley (RAND Europe):** You suggested that we said in our report that the Peterborough pilot was too small. The point that we were making was that the United Kingdom Ministry of Justice does not expect the Peterborough pilot on its own to deliver cashable savings—we are not going to close Peterborough prison. I think that the Ministry of Justice was pretty clear that the project was intended to test the concept and ascertain whether it is possible to raise money from private investors, use it to deliver interventions to offenders and then track outcomes and make decisions about outcome payments. Whether the project was too small to be a viable commercial option is a slightly different question.

The evidence that we were able to gather for our initial report suggests that the project is just the first step in developing a new investment product and could be the start in developing a track record and a better evidence base for such products.

**James Dornan (Glasgow Cathcart) (SNP):** How do we gauge the success of programmes, compared with what is already being done? When we pay for performance, how do we know that a project has delivered something that would not otherwise have been delivered?

**Jonathan Flory:** The approach is perhaps different for each project. In the Peterborough prison pilot, the test is relative performance. That is, we look at the reduction in reconviction events from the pilot compared with the results for a simultaneous matched control group from similar prisons nationally. That is one method. The other method, which we can see in the Department for Work and Pensions innovation fund and the work programme, is that the Government's economists pre-value the benefit to the Government in terms of the cashable savings of a particular outcome, and the Government offers bidders the opportunity to bid up to that value in order to win the contract. Those are the two models that we have at present.

**Dr Disley:** The Peterborough pilot involved offenders who were sentenced to less than 12 months. Currently, that group receives no statutory supervision. There will be ad hoc interventions and provision on a prison-by-prison basis but, in general, we can compare the Peterborough group with other short sentence offenders and make a fairly safe assumption that that group is currently getting nothing, so it is a nice model to use in testing the effect of the intervention.

It is possible that future SIB or payment-by-results pilots might want to operate in an area where there is existing statutory service provision,

which varies in different parts of the country. It would not be impossible to do pilots in such areas, but careful thinking would be required about how to isolate the effect of the intervention from what would be going on anyway.

**Elaine Murray (Dumfriesshire) (Lab):** I am keen to explore the general concept, which is interesting. Under the model, the private sector pays for services up front and is repaid by the public sector over a period of time, so in a sense it is almost like a public-private partnership for the procurement of services. I do not say that as a value judgment; I just note that the principle is similar.

What is the motivation for the private investor? Obviously, the return will have to be weighed up against other potential investments. How quickly does the private investor in such projects expect to receive a return on their investment? The savings to the public sector from particular interventions—for example, in early years provision—might be made over a long period of time. I presume that the private investor will not want to wait for 20 years to get their money back. I just wonder about the financial arrangements and how they square up.

**Andrew Muirhead (Inspiring Scotland):** Before I comment on that, I want to return to the earlier point about tax. As we look at different types of investment, we need to consider their tax treatment. At present, the vehicle sits between two regimes—investment and taxable. That issue needs to be resolved. In some ways, it could be resolved in the construct of the way in which performance-related payments are operated, but if we are to have such vehicles, it would obviously be attractive and give them legitimacy for them to have an appropriate tax treatment.

I also want to comment on scale. For me, scale is driven by what is cashable and how things can be realised—to pick up on a point that was raised earlier. We start from the standpoint that there is no point in doing something that creates only notional savings. I get flashbacks to the old total quality management days, when everyone could save you £100 million, but it was made up of bits and pieces here, there and everywhere.

On the point about private investors, we need to look at the different types of people to whom the model might appeal. The early adoption south of the border has been in the charitable trust world. That is slightly complex because it is possible under Charity Commission regulation to have mixed-motive investing by using endowments rather than the revenue in those endowments. Even less than return of capital is permissible where a social outcome is achieved alongside that. It is all a bit complex. If such vehicles progress to become investment vehicles, the 20-

year period that was mentioned would probably be difficult to sell. It would need to be established that there were robust proxies for early intervention.

10:15

**Mark Graham (PricewaterhouseCoopers):** I will pick up on the issue of viability and size. In the context of public expenditure, the current use of the methods is minimal—the approach is being tested. If payment by results is to develop, at least four things will probably have to be considered or put in place. One is measurement and procurement guidelines. Because this way of commissioning is absolutely new to the public sector, we need data to support the consideration of potential impacts. Secondly, with early intervention measures, the benefits to the public sector will be across a range of services. The issue is how to capture those benefits across the parties and get them to agree that they will pay on the basis of results.

The next thing is scalability. In discussions that we have undertaken with commercial investors, we have found that they have issues to do with scale. The project in Peterborough is relatively small, so it is not particularly attractive to commercial investors, as they would have to undertake due diligence and so on. Their argument is that, if the approach continues to be done on a pilot basis, it will take years before anything substantive happens. Therefore, there is an issue with scalability.

The other element to be considered is tax and incentives for investment. With early intervention, the outcomes are over 20 or 25 years. The current thinking is that a contract that is based on results gives a clear view of what the outcomes will be in 20 years. That gives a route map that sets out anticipated outcomes in, say, years 3, 5 and 8 and which would release payment to investors. From a public sector perspective, the contract might be stopped at year 8 so that the public sector could get all the benefits after that.

**Michael McMahon (Uddingston and Bellshill) (Lab):** I have an observation more than a question. In the documents and the comments so far, we have heard about issues such as whether the projects are viable, whether they require to be on a certain scale to work and whether they should involve private finance. However, the issue comes down to what hue of Government will want to promote such an approach. Is there an ideological barrier to the approach ever being tested in this country, given that most of the debate seems to come down to arguments such as, “We’re more opposed to private involvement in the public sector than you are”? The approach might be tested elsewhere, but in Scotland it will only ever be used as a model to create a debate

that is based on the argument, “We oppose this more than you do because we hate private finance more than you do.”

**The Convener:** That is a fair point, but most politicians tend to be pragmatic at the end of the day. In the United States, the Republican Party and the Democratic Party have gone down this road for many years.

**Mark Graham:** The paradox is that, as Jonathan Flory said in his opening statement, we are talking about innovative and untested approaches, so if it is demonstrated that they have significant social benefit to individuals, you as politicians will probably wish to pay for them anyway. There is an element of innovation and testing new approaches to social issues. If those approaches work, Government can pay for the outcomes. You do not have to go to the private sector to get finance for working capital.

**John Mason (Glasgow Shettleston) (SNP):** I want to follow on from some of the points that have been made so far. The words that jumped out at me in the quote that the convener read out were “transferring the risk”. That reminds me of the private finance initiative and its broadly accepted failure to transfer the risk. I immediately wondered whether we really have evidence that real risk is being transferred. I presume that real risk means that the person or group that carries out whatever the work is has the risk of making a loss on the project. That did not really happen under PFI. It is hugely important that we measure outcomes or outputs, or both.

If we take the Peterborough example, it seems to me that there might be a big success in the sense that all the people who are being worked with do not reoffend, so payments are made according to that, but there might be no saving, as there are probably loads of people around Peterborough who should be in the courts or prison and are not. Therefore, all the space that is freed up will just get filled up with other people, and there will be no saving to the public purse.

**The Convener:** As no one appears to be keen to jump in on that, I will move on.

Our budget adviser, Professor Bell, who is unable to be with us today, said in his briefing paper:

“There is a growing consensus that past mechanisms for investment in deprived communities have had limited success.”

One reason why we are looking at that issue is that there has been no magic bullet so far in the existing provision.

**Andrew Muirhead:** I agree with that. You will find a range of views no matter where you go—whether to private philanthropists or grant-making

foundations—and it is clear that ideologies sit in more places than here, but, for me, the explanation for these things is driven by the point that you have made, convener. We have a very short-term and fragmented approach to funding some of the most challenging social issues that we face in Scotland. Part of the reason for creating Inspiring Scotland was to try to address that. Creating mechanisms that more accurately direct resources of whatever type to evidenced outcomes and make a real social impact is what drives a lot of the conversation around this, as well as the shift to prevention. I entirely agree that we are not currently getting things right. This may not be the right approach for Scotland, but what can we take from it that addresses the issues inherent in bringing social solutions to the most deprived and challenged communities in Scotland?

**The Convener:** In section 7.3, the Peterborough report says:

“it could be the case in future”

social impact bonds

“that investors and intermediaries will have better-resourced legal and contractual advice than can be readily obtained or funded by government”.

Therefore, it is not just about the Government getting involved, as Mr Graham said. You are hoping that additional resources will come in to supplement the limited funds that are available from taxpayers.

**Dr Disley:** Our job at RAND Europe is to provide the Ministry of Justice with objective assessments of what is happening, so we do not have a particular position either for or against SIBs. However, I am not sure what your exact question was. Did you ask about the cost of legal advice to the provider?

**The Convener:** No. Your report says:

“it could be the case in future SIBs that investors and intermediaries will have better-resourced legal and contractual advice than can be readily obtained or funded by government”.

That basically means that there is not the required capacity in what the Government can provide, and one point about social impact bonds is that they can enhance that. That seems to be the conclusion, as I read it.

**Dr Disley:** I will just refer to the report, if that is all right.

**The Convener:** Sure.

**Dr Disley:** We were able to speak to representatives of organisations that had invested about their capacity to seek legal advice to draw up a contract between Social Finance and the investors. Those contracts were complex and quite new. We simply commented that the smaller



investors in the SIB piggybacked on the legal advice of the larger foundations. One of them said:

“if it’s good enough for Esmée Fairbairn, it’s good enough for us”.

We simply commented on whether there was any scope for Governments to provide advice on the fiduciary duty to maximise returns as against receiving a blended return, which has already been referred to, for example, or whether the contracts for the Peterborough SIB might provide a boilerplate for later contractual arrangements. I think that that was our point.

**Jonathan Flory:** John Mason rightly mentioned the value of risk transfer, which is vital to the whole debate. On the one hand, the structure is clear in the sense that the investors take the risk; on the other hand, there would be merit in a careful feasibility study on the evidence base of the proposed intervention, the likely outcomes and the value of those outcomes. That work will take weeks and months; it cannot be done within the context of a three-week procurement process. Nevertheless, it would be worth investing time and effort into identifying the right area in which to make those interventions and into scoping and shaping them so that, when the rules—the metrics—are set, we can price risk transfer and have the greatest possible confidence that we will get good value from the results as well as the social impact.

Also on the structure, I remind the committee that the investors, who tend to be social investors looking for a social impact and a financial approach, are separate from the delivery bodies which, in an ideal world, would be smaller, local social enterprises. Those social enterprises are de-risked under the structure. They are able to do what they do best and deliver the intervention; they are not at risk through the outcome—it is the investors who carry that risk. It is a helpful social by-product of the structure that it promotes better-quality service provision, helping to grow meaningful social enterprises that can deliver services at a local level while not placing them under the intolerable financial strain of being required to meet the working capital requirements of the U-shaped Government procurement model of payment by results, which requires two or three years’ investment before there are any returns from the Government. That is a by-product of the structure, which also has a social value.

**Paul Wheelhouse:** That touches on the area that I want to address. On page 4 of your written submission, one of the bullet points for the benefits to the state is:

“to access finance for preventative funds whilst still resourcing acute needs”.

In our previous evidence sessions on preventative spending, we have heard that one of the greatest challenges that we face in implementing prevention is the current financial constraints on the public sector in general, which mean that people are defensive about budgets and protective of the acute services to which we are referring. We have also heard that social enterprises and other groups that are more vulnerable in a cuts environment are being hit quite hard because such non-statutory functions are the first things that councils and public bodies cut. Does the solution that you have just offered help us to square that circle?

We are trying to protect areas that are more vulnerable in the current funding climate but that deliver strong prevention activities. Will this model enable us to access new funding and buy us some time to prove that those prevention methods work, so that the public sector will eventually come on stream, acknowledge that they work and be prepared to shift resource from acute services to prevention? Perhaps Duncan Thorp and others can say whether that chimes with their view.

**Duncan Thorp (Social Enterprise Scotland):** Absolutely. We support the exploration of social impact bonds as a model and we are aware that Scottish Government officials are actively considering social impact bonds at the moment.

The point has been made that the Peterborough pilot was relatively small. If the public sector wants to make specific savings, it must tackle the scale issue. As has been mentioned, if a prison is closed, there is a saving on the capital cost and the social impact bond will be successful, but there will not be much of a saving from simply preventing 3,000 prisoners from reoffending. The issue of scale is very important.

In Scotland, we have quite an established social investment market already. We must ensure that the debate is not just about social impact bonds, which are just one of the models. We have organisations such as Social Investment Scotland, mechanisms such as Big Issue Invest, and ethical banks such as Triodos. We need to be aware that this market is already in place.

Local social enterprises are facing the same issues as any other third sector organisation or small and medium-sized enterprise in the current economic climate. We welcome any model that would help to lever in finance for social enterprises. There is a debate and a tension within the social enterprise community about the needs and aims of social enterprise as against the need of private sector investors to make profits. When talking about different funding models, we must be aware of whether the social aim is compatible with the need of a private sector funder to make a profit.

10:30

**Elaine Murray:** As you say, there are already a number of social investment models in Scotland that support social enterprises and so on. I thought that part of the reason behind such activities was to try to bring into the sector money that might not otherwise come in by attracting private investment people. Under the model, the risk will be taken by the investor in the first instance, because they will pay up front whereas the public sector will pay later on, and if the investment does not deliver in the longer term, the savings that we want might not be made. The issue is how we price the value to the public sector and ensure that benefit is brought back to it. There is also the problem of how to get different bits of the public sector to pay for their share of the savings if they are made across several different services. This sort of project should be centrally driven and managed by central Government—the Treasury and the Scottish Government finance directorates. We should not expect the public sector to apportion the money.

**The Convener:** Fragmentation of delivery is a real issue.

**Dr Disley:** I have some comments to add about our work on whether the Peterborough model will improve funding to small providers that are at risk. The Ministry of Justice has asked us to explore over the next eight years whether the social impact bond model can stimulate innovation and encourage unusual service providers to come into the space. For us, that raises several interesting questions. We do not yet know which providers are commissioned to provide SIB-funded services in Peterborough and which are not, or the reasons for that.

One of the main providers in Peterborough is the St Giles Trust. We were told during our interviews with Social Finance and others that the St Giles Trust was selected partly because it had previously commissioned an evaluation to demonstrate its effectiveness, and that that was important for investors, who felt that it made the St Giles Trust a better bet for both Social Finance, which was putting a proposition together, and the prison, which wanted effective interventions. We need to think about what evidence providers can present to potential investors, and what investors and financial intermediaries such as Social Finance can do to make good assessments of the available evidence on whether the model is methodologically robust and can be relied on.

As for how we price outcomes, there are two elements in Peterborough. First, there is a commercial negotiation between Social Finance and the Ministry of Justice about the value of each reduced reconviction event. The Ministry of Justice has data on the value—as regards criminal justice

costs—of not having to put one person through the courts, the prison system and so on, and it also draws on a body of evidence about the social and economic costs of crime in terms of victims' pain and suffering. I think that the Ministry of Justice would admit that that data is not perfect, but it has been in development for a long time. There is also academic work on the costs of crime. The question for other SIB and payment-by-results pilots is whether there is similar, robust evidence that can be used in a financial or commercial negotiation with an intermediary or a provider.

**Mark Graham:** I take on board the points about the benefits that can be delivered, but there is another risk for the public sector. The downside from its perspective is that, although it can refuse to pay if outcomes are not delivered, any worsening of service in the outcomes will fall to it, because it has decided to take a payment-by-results approach. Even if it does not pay because the outcomes are worse, there is a reputational risk in taking the payment-by-results approach.

**Mike McCarron (Apex Scotland and Addaction):** On the readiness in Scotland for the approach, I speak on behalf of two organisations that deliver services to prepare offenders better for employment and services that deal with alcohol and drug problems, and I believe that they and others are ready to engage in the approach, despite the complexities around it. In two reports that Audit Scotland produced recently—one on expenditure on alcohol and drugs issues, and an overview of the criminal justice system—it made the point that systems for gathering data on outcomes are weak. Our two organisations have invested to bring us up to being able to deliver in that respect. There is now, therefore, quite a lot of confidence about our ability to deliver on outcomes and know which ones are important.

The moneys are out there, often in a philanthropic form, and they can come in and be used in a complementary way. Payment by results in the voluntary sector must involve a strong ethos and practice of partnership working; results should be delivered through organisations' working collaboratively rather than competitively.

We feel that we are ready for the payment-by-results approach, but we need an environment in which we can agree on the price or tariff and the standard contract. If a similar service is delivered in five different parts of Scotland, the question is how we can ensure that the contracts are similar and there is a common system of procurement. Improvement is needed in that area, and the Scottish Government could give a lead on that, although we might have to work through intermediaries such as local government or criminal justice authorities.

Scale is a problem if we want to make impacts by using the national performance framework. The submissions from Inspiring Scotland and the Big Lottery Fund give examples of the huge range of investment sources. We do not have a system that ensures that relatively small individual contributions can be put together to make an impact on the wider population, but a payment-by-results approach can do that.

The commission on the future delivery of public services said that there is perhaps 40 per cent negative spend in the public sector. If payment by results is successful, it will reduce that level of negative spend, which is a good reason to introduce the approach.

**Paul Wheelhouse:** I have a question that is primarily for Dr Disley and Mark Graham. In a previous evidence session, I raised the issue of the Treasury green book and whether, as we develop a more sophisticated understanding of prevention and how it impacts on outcomes, we need to reflect on the green book and perhaps provide updated guidance to the public sector. Mark Graham said that the public sector needs to understand that payment by results represents a risk in that additional costs might be generated for particular services. I hope that that will not happen, but the public sector needs to be aware of that risk. From your professional point of view, is the Treasury guidance on the appraisal of public sector projects sufficiently sophisticated to pick up on the new model?

**John Mason:** I want to return to one or two of Mike McCarron's points. He expressed confidence about measuring outcomes and so on. Would there still be a gap, though, between what could be provided in his sector—with particular offenders not reoffending, for example—and our desire to have fewer prisoners in prison? Would his sector be prepared to say, "We will guarantee that there will be fewer prisoners in prison—pay us on that result", or would that be going too far?

**Mike McCarron:** Paying for a certain outcome might be part of the discussion that one would have but, as Emma Disley said, an individual project is not likely to close a prison. There must be a national aggregation of different outcomes and a system that allows them to be planned in such a way that we are able to close a prison.

We do not have such a systemic way of examining how the different contributions across all the departments or silos add up to a big impact. There is a lot of work to be done on that, but I would use a systems approach to try to understand the problem. As an organisation, we can talk about individuals making changes in their lives that would result in their not being in prison or in their offending less—the range of outcomes that

are broadly considered progressive and successful.

**Elaine Murray:** Are there particular services that would be more appropriate to the model or easier to evaluate under it? For example, we have a fair amount of evidence that intervening at certain points in vulnerable children's lives makes a significant difference to their performance and life chances thereafter.

It strikes me that doing work on reoffending or even on drugs and alcohol is not like prescribing somebody a course of antibiotics, because whereas that person will be cured and go away, some reoffenders and addicts will need support for a long time. The Peterborough pilot is looking at people not reoffending for a year, but how do we know that, when the support is no longer provided, they will not reoffend and relapse into their previous behaviour?

Such a project involves dealing with issues on which people may need support for a long time. At the same time, the project will get more reoffenders. One would hope that it will not get more drug and alcohol abusers if we get the policies right, but the chances are that there will continue to be a new intake of people. How do you cater for that expanding workload?

**Mike McCarron:** That is a relevant point. The answer will vary depending on the nature of the client who receives the service. If people have complex needs, we need to recognise that. There are a range of hard and soft outcomes that are signs of positive change, but change might take much longer in such cases.

Those matters can be dealt with in the nitty-gritty discussions on a particular service, a particular contract or a particular range of desired outcomes and their long-term effects. We are reporting outcomes of reductions in people's drug and alcohol use and their problems being resolved. We are working with families with children in which there are addiction problems. Social return on investment studies have shown that, even over seven or eight months, an investment of a couple of thousand pounds might result in savings on paper of £20,000 to £30,000 in other costs.

There is a lot of good information about good outcomes that are being achieved, and it can be used in discussions about such services.

**Gavin Brown (Lothian) (Con):** Do the witnesses have any views on how to get the size of projects right? We have heard that, the more we scale up a project, the more likely it is that we will save money for the public purse, but the greater the danger will be that the solution will become less localised. Effective delivery is sometimes down to great, specialised local knowledge and

people simply knowing how to get results in a specific area. How do we get the size of projects right so that they are effective and, at the same time, they make genuine savings for the public purse?

**Mark Graham:** I will pick up on Paul Wheelhouse's point about HM Treasury's green book before I comment on scale. As I am an economist, the green book is my bible, so I will not say anything negative about it. I understand that HM Treasury is working with other departments to develop some guidance on the measurement of social impacts. The question becomes how we translate those social impacts into public exchequer benefits.

I know that Graham Allen made a presentation to the committee. I am working with him to try to set up an early intervention foundation, whose role will be to provide independent, objective data collection on early intervention and to provide advisory and support services to the public sector at no charge so that it can take a view on what works and why.

On the scale issue, I have worked with the St Giles Trust. Before going into Peterborough, it worked with a cohort of about 550 prisoners over a three-year period, and the reconviction rate was less than 10 per cent, which, compared with reconviction rates in most UK prisons, is phenomenal. The issue is whether, by scaling up, that social enterprise can deliver its services in all prisons in the UK and obtain those results, which comes back to what it does and with whom. That is another issue that must be addressed. There are differences in local circumstances, but if we have a local social enterprise that is delivering extremely good results, the question becomes how we can scale that up while ensuring that the quality of the service is the same.

10:45

**Andrew Muirhead:** I will restrict what I say to the important issue of scale, and I will probably draw on what Inspiring Scotland already does by way of scaling.

Scaling is not necessarily about individual projects growing to a scale at which they lose their local essence—Gavin Brown's question brought out that risk. Scale comes through having a wider portfolio of projects that contribute to a social aim. It is about working together collaboratively and finding models that work in Aberdeen that would have application in Dumfries and vice versa.

Scale can be achieved in many different ways. Sometimes it is right that it involves a large national voluntary organisation that has developed something in one locality taking it to others. There is no simple answer, but by bringing together

social ventures or social enterprises—we can use whatever terminology we want—it is possible to create scale through having a wide portfolio, rather than insisting that everyone grows to become mega-charities or mega-voluntary organisations.

**Jonathan Flory:** I will come back on three issues, the first of which relates to the discussion that Emma Disley started on programme design. When the first programme is designed, it is helpful to have one or more delivery partners who have done something similar to help with the design. That is partly why having an organisation such as the St Giles Trust in the programme is a helpful way to start.

The structure is quite flexible in a number of ways. It is flexible because the way in which services are delivered can change over time. In other words, the commissioner of the services has an overall idea of what he wants to achieve, but there is flexibility in how the service is delivered, and there can be changes in learning. Secondly, we built into the Peterborough project some unallocated innovation funding, which enables us to respond to learning and improve the way in which the interventions are delivered. Thirdly, ultimately, we can change service providers if, after a period of time, performance is not as expected. There is some flexibility, which is helpful.

On the second issue, Elaine Murray asked what happens after the 12-month period and how we continue to offer support. We have to stop at some point. It is necessary to have a programme but, hopefully, it will have been proven to the point at which the commissioner can say, "This is good. We'll now do it at our cost and with our funds, which will be a lot cheaper. Enough has been done to prove the concept, so it can be extended and rolled out."

My third point is about scale. I do not think that there is a right or a wrong answer on that, but there is some merit in having a number of pilots, initially, to provide choice and testing. Pilots are efficient if they cost £5 million to £10 million. They get a bit inefficient if they cost much less than that, because of the fixed costs of structuring, getting them to market, the effort and inertia involved and so on. I take the point that, under the Government commissioning rules, if a pilot is large, it must be commissioned, which slightly encourages the big boys to come back in and make a bid for something that might turn out to be less social investment focused and more like a more normal procurement programme. There is some merit in having a number of smaller pilots to start with.

**Mike McCarron:** On the point about how to replicate outcomes in different areas, we have been considering a model in which, if we had a SIB of £5 million, for example, we would provide

three to five different services at different prisons throughout Scotland rather than at just one prison. We would then be able to see whether we were delivering the same outcomes in each area, which we would aim to do.

**Michael McMahon:** I have a question about the evaluation process. Is that built in at the start? Who decides or determines whether the outcome has been achieved? Is it the commissioner, or the body that has done the work? Is it built into the project cost? How is that taken into consideration?

**The Convener:** I will add something along those lines, and then I will let Emma Disley in. Our budget adviser, Professor Bell, says that the process can be extremely complex, as demonstrated by the Peterborough SIB. With regard to the process for establishing the social impact bond in Peterborough, table 2 from Professor Bell's report shows four contextual aspects, nine inputs, nine activities, seven outputs, seven anticipated impacts and seven anticipated outcomes. Although the results have been very good, there seems to be an element of extreme complexity that might act as a disincentive to organisations to get involved in developing such projects. What is your view on that?

**Dr Disley:** For the Peterborough SIB, the evaluation was built in from the start. The Ministry of Justice commissioned RAND Europe to conduct a process evaluation—to ask the how questions—and consider how it was implemented, which services were developed and whether it encouraged innovation.

The Ministry of Justice also commissioned an independent assessor, who will gather data on the reconviction events of the Peterborough cohort, identify a control group and eventually do a calculation to see whether reoffending has reduced.

The thinking behind that was that the assessment of outcomes should be independent of all the parties that had money on the line. In speaking to people at the Ministry of Justice during our research, we found that, although they saw the value of commissioning an independent assessor in that case, in future the evaluation might be done by, for example, the Office for National Statistics, particularly in relation to reoffending, because we already collect reconviction and reoffending data—it is a national data set.

Evaluation is a bit complicated, simply because, as has been said, the measures involved in Peterborough have been thought through quite carefully. Some might consider them to be analytically complex to develop. The job of the independent assessor in identifying a control group is a tricky task and involves statisticians, but the model is working so far and all parties feel

happy with it. Of course, we will ask questions about that at later stages of the evaluation.

With regard to whether the complexity of the process puts investors or participants off, the providers—whom we consider to be among the most vulnerable and risky parties—did not have to worry too much about that. They were commissioned by Social Finance and paid up front, they have a contract that has some flexibility and can be amended, and they go ahead and deliver their services. For them, it is not too complex.

Social Finance and the Ministry of Justice went about their negotiations and worked through the complexity. The evidence that has been collected so far suggests that Social Finance—the intermediary—did a good job of explaining to the investors what the processes should be, how their money would be used and what the different risks were. Does that answer your question about complexity?

**The Convener:** Yes. I think that James Dornan wanted to come in.

**James Dornan:** No, I did not, but thank you for your offer.

**The Convener:** You were waving at me, but you were just being affectionate.

**James Dornan:** I was just making eyes at you.

**The Convener:** Okay. Andrew Muirhead can go next.

**Andrew Muirhead:** The measurement must be robust and built in at the outset, and it must be carried out by a third party. In Peterborough, the investors are very much social investors. As the scheme is widened out and moves to a larger scale, the attention and scrutiny will intensify. In all senses—whether it is philanthropists seeking to extend greater philanthropy or grant-making trusts seeking to use endowments rather than income on endowments, or investors more widely—everyone comes at it from the social impact end. Everyone is coming from the perspective of trying to do something that is as much about social returns as it is about investment returns. It is about extending that market, I hope in a positive and supportive way.

**The Convener:** Yes. There are people who want to contribute to the community and not just make money from it.

**James Dornan:** We talked about the complexity of the approach, and Jonathan Flory talked about the possibility of larger organisations taking business away from smaller social enterprises. How do we guarantee that we do not end up in the situation that we are in with some welfare issues, in which companies appear to be getting involved

to make money rather than to benefit the community? Community benefit is clearly the outcome that the witnesses are aiming for.

**Duncan Thorp:** The situation that you described is a concern in the social enterprise community. We are not anti-profit; social enterprises like making profit. However, there is a tension between the social and environmental aims of social enterprise and the needs of private investors to make money. In England, perhaps more than in Scotland, there is a trend of people trying to use the social enterprise brand as a public relations exercise, when they are not an authentic social enterprise. There is concern in the movement about that. It is important to note that there is no legal definition of “social enterprise”, so anyone can call themselves a social enterprise.

That is not to say that we are not open-minded about alternative models of finance. In particular, social impact bonds are an exciting development, which we are open-minded about exploring. However, we need to be aware of the tensions that I described and we need to be careful not to lose the purpose of social enterprise. We do not want to keep social enterprise in a silo, but we want to keep our social aims.

**Paul Wheelhouse:** We have talked about complexities to do with measurement, the need for evaluation and scalability. We have also talked about the availability of skills and expertise and the circumstances in which we need external funding to supplement declining funding from elsewhere.

We heard about examples from justice and the early years. Can the panellists give us a steer on where you think the product that we are talking about, which is in an early stage of development, will have the greatest impact for Scotland? Given the combination of factors that I mentioned, are there areas that are particularly suitable for public sector engagement with the social impact bond model? Where should we be encouraging such engagement?

**Duncan Thorp:** There seem to be areas that naturally lend themselves to preventative approaches, such as the early years, reoffending and older people. The Scottish Government’s change funds are focusing on the preventative approach.

**Mark Graham:** If it is about reducing costs to the exchequer, we must focus on the individuals, families and communities that are generating significant costs. The Cabinet Office in England is looking at the feasibility of intervening with families that have multiple problems. Its initial analysis suggested that such families cost the public sector up to £100,000 per annum—and it identified 120,000 families. When we do the maths, we can

see that the cost is quite extensive. If the cost could be reduced through early intervention, there would be significant benefits.

**The Convener:** Yes, the figure is £12 billion—that is a ballpark figure, so the actual cost could be higher or lower.

**Elaine Murray:** Duncan Thorp mentioned services for older people. It might be possible to get information about savings in that regard. I can think of a social enterprise in my constituency that provides services to older people. It is funded in a conventional way by the Scottish Government through the local council, but there must be some data there. If we looked at the people to whom it has provided a service as opposed to the general population, we could get some idea of the level of savings to the public purse. I would not want to categorise older people as causing a problem by requiring services, but services for older people are an area in which the type of intervention that we are discussing could help, and not just save money but improve the quality of people’s lives, which is probably just as important.

11:00

**Mark Graham:** Again, it is an interesting area. There is a simple statistic that leads us down that route. If I understand it correctly—forgive me; I am getting old, although we will not go into the definition of “old”—some 80 per cent of hospital admissions of old people are due to falls, which can be due to design issues in housing. That is a simple example, but if we were to address those issues and support engagement in sport and other activities, it would have a significant implication for the health sector. The model is not just about early intervention with children; it can be applied across the board.

**Mike McCarron:** Service providers in every client area can identify good areas in which to invest. In my area, if we invest in the early years, we can resolve major problems for adults, too.

The need to ensure that services are well grounded in local communities is a substantively important issue. I mentioned the national performance framework but, on the other side, proposals must be discussed in community planning partnerships. Services must fit local needs, be brought into and involve the local community, and maximise the building up of the resources of that community, because that is where the long-term benefits of what is achieved in specific services will be maintained.

**Andrew Muirhead:** I want to respond to the earlier question about subject matter. I concur with the views that have been expressed about the early years and our ageing population, but I add a couple of other areas. An obvious one is youth

unemployment, and there are already some payment-for-results mechanisms in that area. To that I would add drug and alcohol services and support for recovery methodologies rather than maintenance.

**Gavin Brown:** We have focused on the Peterborough project, but does anyone have good examples of projects, social impact bonds or anything similar outside the UK? Have you come across or studied any such examples while waiting for the results of the Peterborough project? Are there any proven examples that you want to share with the committee?

**The Convener:** I have to say that I wrote down that question about 30 seconds ago.

**Gavin Brown:** I did not see it.

**The Convener:** Great minds think alike.

It is an important question. I touched on North America earlier, but I am also interested to find out in which other countries and societies the model has taken a grip and been successful. Why try to reinvent the wheel? Why just think about Scotland and England? Let us think about Europe and also North America, which has some experience in the area.

**Duncan Thorp:** Gavin Brown made a point about local accountability. Many of our social enterprises are local, community-based enterprises. There are a lot of big social enterprises as well, but many of them are community based. On replicating and upscaling, I think that Andrew Muirhead made the point that we must get social enterprises from different parts of Scotland to come together and do stuff together, rather than creating mega social enterprises.

Upscaling is essential. As I said, the Peterborough pilot is relatively small. It is a pilot, and it is welcome, but it is quite small. We need to get scale without losing local accountability. If we do not have scale, we will not get big public sector savings. We will not have prisons closing and things like that. The key to keeping local accountability is to get local social enterprises to work together. That is our job as a sector as well; it is not just a job for the core.

**Dr Disley:** To respond to the question about other countries, as far as I know, the SIB that was launched in Peterborough was the first one anywhere in the world. Since then, there has been interest in other countries and definitely in America. I think that an SIB was launched there last week or at least there was a development. There has also been interest in New South Wales and in Canada. We have had informal meetings with a delegation from a Canadian ministry that is interested in developing SIBs. It is looking to us for

examples of good practice. Once SIBs are rolled out in other countries, even if it is too early for them to give us results, that will provide us with alternative models for roll-out and for developing outcome metrics.

**Andrew Muirhead:** The danger of putting up your hand to speak is that someone might give an answer that is pretty much the same as the one that you would have given. I was going to spare Jonathan Flory's blushes by pointing out that people in different parts of the world are looking to the UK and the pilot in Peterborough. I, too, have had contact from places such as Australia and Canada, where there are similar fledgling ideas. The question is a good one, because it is important that we do not work in isolation. Jonathan Flory mentioned that part of Social Finance's strategy is about how to build a wider world network of ideas and thoughts that can improve the approach and bring ideas into the thinking here. It is right to look at other places to see what we can learn.

**Jonathan Flory:** To complement that, the US is catching up fast and is considering what is happening here. Interestingly, it is considering state-level commissioning, which to a degree cuts across the interdepartmental issue. That is helpful, because the allocation of benefits can be done at state budget level. I suspect that the projects in the US will be bigger than the smaller-scale pilots in the United Kingdom.

To return to the earlier point about procurement, as well as experimenting with pilots and how they are constructed, there could be merit in encouraging different approaches to procurement and experimenting a little with the way in which procurement is run. To give a specific example, in the innovation pilot that the DWP is running, which is about training, education and employment and which focuses on the 14 to 24-year-old group, there has been a clear wish to separate investors from the delivery bodies and to encourage social investment partnerships. That has discouraged the very large commercial prime contractors from participating and encouraged smaller social enterprises and local provision of services. It has also enabled social investors, whether they are looking for some financial return or very little, to play their part in the process. There might be ways in which to experiment a bit with procurement to get a better result.

**The Convener:** We have been having our discussion for more than an hour, so I am keen to start to draw it to a close. [*Interruption.*] The clerk has pointed out that Emma Disley wants to speak—I knew that, and I will let her comment in a moment, but first I want our guests to think about where we go from here in the Scottish context. We have had a good discussion about ideas and

experiences, but what would our guests like the Scottish Government to do? We do not have all the necessary powers to implement the approach fully, but I am sure that we have some of them. I am keen to know what our guests have to say on that, but first we will hear from Emma Disley.

**Dr Disley:** I will add something to the discussion on procurement. I just want to clarify that, for the Peterborough social impact bond, the Ministry of Justice procured Social Finance, which then commissioned service providers. As it was the first ever such project, Social Finance's services for the ministry were not procured through the usual competitive process. In future, with other social impact bonds, the Government could run a competition for financial intermediaries to come in with a bundle of investors and ideas about the pilot area and the metrics. Some of our interviewees from the Ministry of Justice suggested that, if there were a competition for intermediaries in the future, it would be possible to drive a better deal and pay less for each reduced reconviction event, thereby pushing up value for money.

The second point about procurement is that the social impact bond in Peterborough seems to involve a new sort of commissioning relationship. It is not the Government or the Ministry of Justice that is deciding which service provider should be involved in delivering services to the offenders at Peterborough; it is Social Finance and its experts. That could introduce innovation and it frees up the Government from making those decisions. However, it is interesting to understand how that new commissioning relationship might play out in this SIB and in others.

**The Convener:** Any takers on the question of the way forward?

**Mike McCarron:** We would be looking for a willingness in Scotland to engage. If, for example, an organisation that I am involved in were to come forward and say that it has found a social investor, would the wider environment that I have talked about engage in that? We are looking at a number of services across Scotland and are interested in issues such as standard contracts, similarity of tariff and so on. We are looking for ways of discussing the undoubted complexities with the appropriate partners, should a practical option come forward, as we hope that it will.

**The Convener:** I understand that Government officials have been in discussions with regard to this issue, so it is really about taking that forward.

**Andrew Muirhead:** The most important thing for me is that we stay in exploratory mode and do not move into polarised positions too soon. There are certain steps and stages that we need to follow. If we are going to get some substance around this issue, it is vital that we have some

guidance about the social issues that the Scottish Government might want to be tackled in a different way. Once we have that, we can have a richer discussion around some of the complexities. There is possibly a starting-gate role for furthering discussion and enabling greater exploration of the issues.

I would not want the complexities that we have discussed today to diminish the potential upsides of being able to get a new supply of capital into some of the key social issues that affect some of the most deprived communities in Scotland. It is incumbent on us to stay in that open exploratory and consideration mode for as long as possible.

**Duncan Thorp:** All credit to Social Finance for leading the way with social impact bonds. It is doing some great work. The key for social enterprises and other third sector organisations is for them to have a portfolio of mechanisms to use in a strong social investment market. Social impact bonds are part of that market, but we should not focus on that model or variations of it at the expense of mechanisms in the wider market.

Scotland should learn the lessons of Peterborough but not copy and paste what has happened there. Scotland can come up with its own solutions. As I said before, Social Investment Scotland and Scottish Government officials are considering the model and variations on it. We can learn lessons, but we should be careful about adopting something that is still in its early stages. It is still unproven in the long term. We should keep the debate going and keep the options open, rather than focusing on this one mechanism.

**Mark Graham:** I concur that the starting point would be a consideration of the social needs that are not being met and could be addressed.

The market is complex as there is a series of potential providers and beneficiaries in the public sector that are talking about finance and alternative forms of finance. I wonder whether it is worth considering from a Scottish perspective any form of financial underwriting and consolidation in order to kick-start interest in Scotland.

**The Convener:** Jonathan Flory kicked off today's debate, so I invite him to finish it off.

**Jonathan Flory:** I share all the sentiments that have been expressed. The time spent in carefully considering the right programmes, testing the evidence base, ensuring that you are comfortable with the way in which the outcomes have been framed and testing the value that has been delivered is time well spent. I would like to think that, if you do that bit, investment will follow, as there is a willingness to play a part in this area.



**The Convener:** I thank all our witnesses for coming today and involving themselves in a thoroughly interesting discussion.

We will suspend the meeting until 11.30, when we will hear from the Cabinet Secretary for Finance, Employment and Sustainable Growth.

11:15

*Meeting suspended.*

11:29

*On resuming—*

## **Budget (Scotland) Bill: Stage 2**

**The Convener:** Item 3 is stage 2 consideration of the Budget (Scotland) Bill. Members will have received a note from the clerk and, of course, we discussed the matter in our pre-meeting session.

Before we start the formal proceedings, I thought that it might be useful to allow the Cabinet Secretary for Finance, Employment and Sustainable Growth to make some explanatory remarks about the bill and give members the opportunity to ask questions. With that, I welcome the cabinet secretary, who is accompanied by Andrew Watson, head of finance policy, and Terry Holmes, head of finance co-ordination, and invite him to make an opening statement.

11:30

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** Thank you, convener. First of all, I acknowledge the Finance Committee's work during this year's budget process, which is reflected in the scope of its report on the 2012-13 draft budget. I carefully considered the committee's points and recommendations and submitted my formal response on 18 January.

This session focuses on the content of the budget bill, as approved in principle by the Scottish Parliament. Although, as committee members will be aware, there are a number of differences between the draft budget and the budget bill in the way that budget information is presented, no changes have been made to the spending plans outlined in the draft budget.

To assist the committee, I will explain the main differences with reference to table 1.2 on page 3 of the supporting document. Column A sets out by portfolio the 2012-13 budget as shown in table 6.01 of the draft budget document, which was published last September; column H sets out the draft budget as it needs to be restated for the budget bill; and columns B to G provide details of the adjustments that are necessary to meet the statutory requirements of the parliamentary process.

The major adjustments are, first, the exclusion of £67.4 million of non-departmental public body non-cash costs that do not require parliamentary approval. These relate mainly to charges for depreciation and impairments and include bodies in our NDPB community, including the national institutions, Scottish Enterprise and Scottish Natural Heritage.

Secondly, there is the exclusion of judicial salaries and Scottish Water loan repayments to the national loans fund and the Public Works Loan Board, which again do not require parliamentary approval.

Thirdly, police loan charges have been included for approval in the bill.

Fourthly, international financial reporting standards adjustments of £90.5 million reflect the adoption of IFRS-based accounting across central Government from 1 April 2009. I again remind the committee that conversion to an IFRS basis is spending-power neutral and the adjustment simply reflects differences between HM Treasury's presentation of how it budgets for these items and our presentation, given how we are required to account for them.

Fifthly, portfolio budgets have been adjusted to reflect the requirement for separate parliamentary approval for a number of direct-funded and external bodies, including National Records of Scotland, the Forestry Commission, teacher and national health service pensions, the Food Standards Agency, the Scottish Court Service and the Office of the Scottish Charity Regulator.

Sixthly, the reduction of £434.8 million in the figure for annually managed expenditure for teachers and NHS pensions that is set out in the draft budget reflects the reduced current service costs as a result of the move to uprate pensions in line with the consumer price index rather than the retail prices index. That adjustment was made following notification by HM Treasury of a change in the interest rate and advice from the Government Actuary's Department on the current service cost.

Finally, table 1.2 sets out a restatement of specific grants included in the overall 2012-13 local authority settlement that remain under the control of the appropriate cabinet secretary with responsibility for those policies. For example, the police grant remains the responsibility of the Cabinet Secretary for Justice. Full details of all grants that are treated in that way are included in the summary table on page 73 of the supporting document.

I again make it clear that those essentially technical adjustments do not change in any way the budget that has been scrutinised by this and other committees and approved in principle by the Parliament. As I made clear to Parliament last week, I remain committed to an open and constructive approach to the 2012-13 budget process and continue to seek consensus on a budget that will meet the needs of the people of Scotland during these difficult times.

**The Convener:** Thank you, cabinet secretary. Do members have any questions?

**Gavin Brown:** Cabinet secretary, I have a couple of technical questions about certain differences between the draft budget, which was published in September, and the supporting document to which you have just referred.

With regard to the infrastructure and capital investment portfolio, at the bottom of the "2012-13 Draft Budget" column in the table on page 194 of the draft budget document, the figure for "DEL Resource" is £1,168 million and the figure for "DEL Capital" is £1,057 million. However, the table on page 53 of the supporting document states that, for the same portfolio, total DEL resource is £1,825 million and total DEL capital £483 million. Why are those figures different?

**John Swinney:** I think that I will need to send Mr Brown a note about that. The reason for the difference does not readily leap out at me from the material but I will get back to him on the matter.

**Gavin Brown:** I am grateful for that.

My second and perhaps slightly more straightforward question relates to Scottish Government staff costs. According to the top entry in the second column of the table on page 212 of the draft budget document, those costs are £139.9 million, but on page 69 of the supporting document, they are £156.4 million. Can you reconcile those two figures?

**John Swinney:** I have been advised that the £156 million is a gross figure that includes income from recharging other bodies for staff arrangements. The net figure is the one set out in table 14.01 of the draft budget document.

**Gavin Brown:** As has been pointed out, the Government responded to the committee's report on 18 January, and on page 24 of that response it mentions the issue of level 4 figures. This committee—and, I think, other committees—would have preferred those figures to have been provided earlier than we actually got them. Although I agree with the Government's statement that each committee had the figures before the appearance of the relevant cabinet secretary, the fact is that, before such an appearance, a number of committees had taken evidence from a number of Government agencies and others without having the level 4 figures.

For example, when the Economy, Energy and Tourism Committee took evidence from Scottish Enterprise, the figures were not available, but they became available when you appeared before it. The impression that I get from the Government's response is that it is not minded to provide the level 4 figures earlier than it does at present and that it is sufficient for the figures to be available before the relevant cabinet secretary appears. Nevertheless, will you reflect on my view that it

would be beneficial for committees to have such detail before any of the agencies appear?

**John Swinney:** I am certainly happy to reflect on the suggestion. However, we have to wrestle with the fact that not all level 4 detail will be worked out to the degree of clarity that some committee members would like. Generally, we should provide information on the same basis to all committees. Level 4 numbers are defined earlier in some parts of Government than in others and different considerations need to be taken into account. That said, I will certainly consider the point that the committee has made.

**Elaine Murray:** As you know, cabinet secretary, the Labour Party disagreed to the budget at stage 1, and without changes we will take the same view on the stage 2 discussions.

Yesterday, you announced the spring budget revisions for this financial year. When are we likely to get details of your thinking with regard to consequential for the financial year that is under examination?

**John Swinney:** I might have some more comments to make on that in advance of stage 3. Obviously, I am discussing the issue with the Cabinet and, depending on when it reaches its conclusions, I will be able to update Parliament on or before next Wednesday.

**The Convener:** As there are no further questions, we move to the formal proceedings.

Although there are no amendments to deal with, we are obliged under standing orders to consider and formally agree to each section and schedule and the bill's long title. We will take the sections in order, with schedules being taken immediately after the section that introduces them, and the long title last. Fortunately, standing orders allow us to put a single question where groups of sections or schedules are to be consecutively considered and, unless members disagree, that is what I propose to do.

The question is, that section 1, schedule 1, section 2, schedule 2, section 3, schedule 3 and sections 4 to 11 be agreed to. Are we agreed?

**Michael McMahon:** No.

**Elaine Murray:** No.

**The Convener:** There is no division on this question, Michael.

**James Johnston (Clerk):** Under standing orders, as no amendments have been moved to the bill, the committee does not have the option to disagree to the sections. That is set out in the advice in the clerk's paper.

**The Convener:** Which all members were supplied with. It is a legislative matter; indeed, it has always been the case.

**Elaine Murray:** I think that we can put our position on the record.

**The Convener:** Indeed. Although we cannot divide on the matter, you can, of course, note your disagreement. Are both of you so minded?

**Michael McMahon:** Yes.

**Elaine Murray:** Yes.

**The Convener:** That will be noted. Other members have indicated their agreement.

*Section 1 agreed to.*

*Schedule 1 agreed to.*

*Section 2 agreed to.*

*Schedule 2 agreed to.*

*Section 3 agreed to.*

*Schedule 3 agreed to.*

*Sections 4 to 11 agreed to.*

*Long title agreed to.*

**The Convener:** That ends stage 2 consideration of the bill.

At the beginning of the meeting, the committee agreed to take the remaining item in private. I therefore close the public part of the meeting.

11:43

*Meeting continued in private until 11:45.*



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