FINANCE COMMITTEE

AGENDA

30th Meeting, 2004 (Session 2)

Tuesday 23 November 2004

The Committee will meet at 10.00 am in Committee Room 5 to consider the following agenda items:

1. **Item in private:** The Committee will consider whether to take item 5 in private.

2. **Cross Cutting Review on Economic Development:** The Committee will take evidence from—
   
   Jim Mackinnon, Chief Planner, Development Department; Jane Morgan, Head of Enterprise Networks Division, Enterprise, Transport and Lifelong Learning Department; Dr Andrew Goudie, Head of Finance and Central Services Department and Chief Economic Advisor to the First Minister; Fiona Robertson, Senior Economic Adviser and Head of the Office of the Chief Economic Advisor; and David Stewart, Assistant Director, Finance Expenditure Policy Division, Finance and Central Services Department, Scottish Executive.

3. **Transport (Scotland) Bill:** The Committee will take evidence on the Bill’s Financial Memorandum from—
   
   Dr Malcolm Reed, Director General; Valerie Davidson, Head of Financial Services; and Hilary Howatt, Policy Development Manager, Strathclyde Passenger Transport; and Councillor Andrew Burns, Transport Spokesman for City of Edinburgh Council; and James Fowlie, Policy Manager, COSLA; then
   
   Jonathan Pryce, Head, Transport Strategy and Legislation Division; Frazer Henderson, Bill Team Leader; and Claire Dunbar-Jubb, Group Accountant, Roads Policy and Group Finance Division, Scottish Executive Enterprise, Transport and Lifelong Learning Department.

4. **Public Administration Select Committee's Inquiry into Civil Service Effectiveness:** The Committee will consider whether to contribute to the UK Parliament’s Public Administration Select Committee’s inquiry into Civil Service Effectiveness.
5. **Budget Process 2005-06**: The Committee will consider a paper on the proposed structure for its draft Stage 2 report.

6. **Gaelic Language (Scotland) Bill (in private)**: The Committee will consider an interim report as part of its consideration of the Bill’s Financial Memorandum.

Susan Duffy
Clerk to the Committee

The papers for this meeting are:

**Agenda Item 2**

- **Framework for Economic Development in Scotland**
- **National Planning Framework**
- **Smart, Successful Scotland**

Briefing paper by Peter Wood  
Written evidence  
PRIVATE PAPER

**Agenda Item 3**

- **Transport (Scotland) Bill, Explanatory Notes and Policy Memorandum**

Written evidence  
PRIVATE PAPER

**Agenda Item 4**

Paper by the Clerk  

**Agenda Item 5**

PRIVATE PAPER

**Agenda Item 6**

PRIVATE PAPER
Finance Committee

30th Meeting 2004 - Tuesday 23 November 2004

Cross Cutting Expenditure Review on Economic Development – Briefing Paper by Peter Wood, Committee Adviser

1 Introduction
1.1 This briefing paper has been prepared to assist members of the Finance Committee of the Scottish Parliament in preparing to question witnesses in connection with the Committee’s investigation of the Public Spending on Economic Development in Scotland. The paper draws on the review of expenditure on economic development undertaken by Peter Wood of Tribal HCH for the committee and includes some further analysis of comparative Spending on economic development.

2 Spending on Economic Development
2.1 The review of spending levels and trends was based on a division of public spending into three categories – Primary spending, Support spending and Spending un-related to economic development.
2.2 Primary spending was classified as that which has the primary purpose of encouraging or increasing the level of economic activity. Support spending consists of spending on those public services which have most significance to economic development.
2.3 Tables 1.1 and 1.2 provide details of the specific elements of Scottish Budget spending which have been included in the first two categories listed above. A number of these expenditure elements have been switched between departmental budgets over the period of the study.

Table 1.1 Scottish Budget Primary Economic Development Expenditure

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<tr>
<th>Expenditure Category</th>
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<td>Advisory and Consultancy Services</td>
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<td>Highland and Islands Enterprise Budget</td>
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<td>Provision of Business Infrastructure</td>
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<td>Research</td>
<td>SERAD Research Support</td>
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Table 1.2 Scottish Budget Economic Development Support Expenditure

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<th>Expenditure Category</th>
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<td>Highland and Islands Airport Subsidy</td>
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<td>Other Transport Subsidies</td>
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<td>Executive Expenditure on Schools</td>
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<td>Higher and Further Education Spending</td>
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<td>Culture, Heritage and Sport</td>
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<td>Specific Grants</td>
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2.4 Economic development is also supported by spending from Whitehall departments and by local authorities. This relates mainly to expenditure on “Trade, Industry, Energy and Employment” and “Agriculture, Fisheries, Food and Forestry”.

2.5 So far as Scottish Local authorities are concerned, direct support to economic development is provided through activities which mirror those of the development agencies – mainly support of advisory services, provision of premises and promotional activities. These items are included in the category “Planning and Economic Development” in the Local Government Financial Statistics. Capital spend on industrial premises can be identified separately. Elements of local government spending which were classified as supportive of economic development were:

- Leisure and recreation
- Culture and related services
- Education.

3 **Spending trends**

3.1 Both Primary and Support spend have fallen as a proportion of the Scottish Executive budget over the life of the parliament. The decline in the relative importance of Primary spending has been even greater than in the case of support spending. The year 2003-2004 emerges as a particularly low point for both categories of spending – though plans for 2004-2005 show some restoration of the position of the two spending categories. Even so, planned spending for the year 2004-2005 still involves a lower share of the overall budget going to economic development support, however defined, than in 1999-2000.

3.2 The relative decline in the share of the Budget allocated to economic development activity reflects, of course, the relatively slow growth of that element of expenditure. Over the period 1999 - 2005, the Scottish Budget has grown by 41% in real terms – a compound rate of 7% pa. In contrast, Primary economic development spend has grown by just 10% over the period and Support spend by 30%.
3.3 Data on Spending on economic development and on support to economic
development by Scottish Local Authorities were analysed for the year 2001-02. This
is the most recent available and the first in which economic development spend was
separated out from other planning and development. The expenditure figures were:
- Economic Development - £139 million
- Education - £3033 million
- Culture - £509 million
- Transport £659 million

3.4 Primary spending on economic development by local authorities is just over
10% of the equivalent spending by the Executive. If one excludes agricultural
subsidies though CAP, then local government spending is about 14% of the
corresponding Executive figure.

3.5 The pattern is very different in relation to support spend. Local government
spending is broadly equivalent to Executive spending in this category – though that
conclusion depends heavily on the inclusion of all education spending in the local
government figure.

3.6 Economic development in Scotland is also assisted or supported by UK
government spending. The two main relevant elements are Trade, Industry, Energy
and Employment and Agriculture, Fisheries and Food. Spending on these two
elements by UK government departments (over and above Scottish Executive
spending and in 2002 prices) in 2001-2002 was:
- Trade and Industry - £475 million
- Agriculture, fisheries and Food - £1187 million

3.7 Identifiable UK government spending adds around £1,662 million to annual
spending on economic development in Scotland – about 70% of this is in the form of
agricultural price support.

3.8 Scotland also benefits from UK spending which is not allocated to any region.
In 2001-02 Scotland’s share of this “non-identifiable” spend on economic
development – mainly national support to technology and industry – was £269
million.

3.9 Because of data limitations it is only possible to provide an analysis of total
spend on economic development in Scotland for 2001-2002. The overall total for
Primary spend in that year was £3,120 million. If one takes out agricultural support,
this falls to £1,576 million. So far as support expenditure is concerned, the figure
was £8,870 million.

3.10 It is possible to make some comparisons with England and Wales using data
from the Public Expenditure Survey Analysis (PESA). The expenditure categories in
PESA do not match those used in the above analysis but broad comparisons can be
made. We may regard spending on Trade, Industry, Energy and Employment along
Agriculture and Fisheries as Primary spend and Transport and Education as the main
elements of Support spend. On that basis, in 2002 Primary spending on economic
development per capita was £482 in Scotland, £185 in England, £328 in Wales and
£685 in Northern Ireland. Support spending per capita (as defined above) was
£1120 in Scotland, £1011 in England, £1068 in Wales and £1194 in Northern Ireland. This pattern is observed in spending data for several years preceding 2002. Scottish spending levels per capita on these items are also above levels in any of the individual English regions. Economic development spending does appear to be relatively high in Scotland.

4  Key issues

Features of spending on economic development

4.1 The analysis of the level of and trend in public spending on or supportive of economic development leads to the following conclusions:
- Total Primary spending on Economic Development in Scotland was £3120 million in 2002 while support spending was £8870 million
- Primary spending per capita on Economic Development in Scotland appears to be higher than in England or Wales and was over twice the English level in 2002
- Scottish Executive Expenditure on activities which directly promote economic development will amount to £1339 million in 2004 (£1303 million in 2002 prices) – this represents 5.5% of the Scottish Budget
- The greater part of economic development expenditure – 60% - is on activities which mainly benefit rural areas
- If CAP expenditure is excluded, programmes focussed mainly on rural areas account for 47% of the expenditure – rural Scotland accounts for 27% of the Scottish population according to Scottish Executive statistics
- Over the period since the creation of the Parliament, Primary expenditure on economic development has grown more slowly than other elements of spending and has fallen from 7.4% to 5.5% of spending
- If CAP spending is excluded from the analysis, the decline in the spending share of economic development is less sharp – from 5% in 1999 to 4% in 2004
- Expenditure on economic development activities which benefit urban Scotland has fluctuated in recent years and is projected to fall in real terms by 5% as compared to 1999 on the basis of the 2004-2005 budget figures
- Expenditure on economic development in rural areas (excluding CAP) will have risen by 60% between 1999 and 2005
- Expenditure on activities which support economic development amounted to £3,014 million in 2003-04 ( £2,934 million in 2002 prices) – this represented 12.2% of the Scottish Budget

Key issues

4.2 Different views will exist on the significance of the points listed above but issues which may merit further consideration include the following.
- What accounts for the relatively high levels of spending on economic development in Scotland – is this explicable in terms of levels of need?
- If the level of resources committed to economic development is higher in Scotland than in many other parts of the UK why is this not reflected in higher levels of economic growth?
- How is the appropriate level and structure of primary spending on economic development determined – what factors are relevant in determining need for this spending?
- How far and in what way do economic development considerations impact on spending decisions relating to the level and nature of “support” spending such as that on education and transport?
- What factors – e.g. policy choices, priorities, views on the need for or effectiveness of primary economic development spending - account for the relatively slow growth in such spending within the Scottish budget?
- Is the balance between spending on rural and non-rural issues and activities appropriate?
- Why has expenditure on rural economic development risen so rapidly and how is this justified in terms of need for or effectiveness of spending?
- What are or should be the main strategic priorities for spending on economic development over the next few years?

Peter Wood
Adviser to the Committee
Finance Committee

30th Meeting 2004 - Tuesday 23 November 2004

Cross Cutting Expenditure Review on Economic Development – Briefing Papers by the Scottish Executive

1. The Committee has received two papers from the Scottish Executive in advance of the evidence taking session on the Cross Cutting Expenditure Review on Economic Development.

2. The first focuses on *The Framework for Economic Development in Scotland*, (including some comment on *A Smart Successful Scotland*), the second is concerned with the *National Planning Framework*.

3. The Committee is invited to consider these submissions.

Terry Shevlin
November 2004

EVIDENCE TO THE CROSS-CUTTING EXPENDITURE REVIEW ON ECONOMIC DEVELOPMENT – THE FRAMEWORK FOR ECONOMIC DEVELOPMENT

BACKGROUND

1. The *Framework for Economic Development in Scotland (FEDS)* was first published in June 2000 to give the Scottish Executive a well-articulated strategy to address the Executive’s economic growth, social justice and sustainability objectives, while acknowledging their clear interdependence.

2. A refreshed Framework was published in September 2004 in order to take account of developments in the global economy, to sharpen the strategy and to identify the right priorities for the future.

3. For the refresh we consulted directly with the major business organisations and the STUC. Taken together with the consultation in the run-up to the launch of the first *FEDS*, the consultation on *FEDS* has been very comprehensive. The consultees’ views guided us in updating the document and are reflected in the new emphases set out.

4. The vision of *FEDS* remains the same, namely to raise the quality of life of the Scottish people through increasing the economic opportunities for all on a socially and environmentally sustainable basis.

5. The vision is reflected in the Executive’s *Partnership for a Better Scotland* which sets out the principles underpinning this administration. It notes succinctly that:
“Growing the economy is our top priority. A successful economy is key to our future prosperity and a pre-requisite for building first class public services, social justice and a Scotland of opportunity.”

6. The primary challenge in the Scottish economy is, therefore, to establish an accelerated and sustainable rate of economic growth.

THE OBJECTIVES

7. The Executive’s economic objectives are on two levels: at the top level, there are the principal outcome objectives, which are underpinned by the enabling objectives that support the achievement of these outcomes.

8. The principal outcome objectives. FEPS is focussed on achieving four key outcomes that are fundamental to Executive policy:
   - economic growth - with growth accelerated and sustained through greater competitiveness in the global economy;
   - regional development - with economic growth a pre-requisite for all regions to enjoy the same economic opportunities, and with regional development itself contributing to national economic prosperity;
   - closing the opportunity gap – with economic growth a pre-requisite for all in society to enjoy enhanced economic opportunities, and with social development in turn contributing to national economic prosperity; and
   - sustainable development - in economic, social and environmental terms.

9. In order to achieve these outcomes the principal focus of the Framework is upon securing a more dynamic economy in which enterprises and individuals are able to respond rapidly and effectively to the continuous change and intense pressures of the global economy.

10. The enabling objectives. The achievement of these desired outcomes depends upon a complex array of economic drivers. Establishing the underlying conditions and context for economic growth to flourish is, therefore, a critical step. There are four key enabling objectives:
    - a stable and supportive macroeconomic environment;
    - a facilitating national economic context: encompassing the physical, human and electronic infrastructure;
    - dynamic competitiveness in Scottish enterprises; and
    - economic policies and programmes to secure the social, regional and environmental objectives.

11. The first objective here is widely acknowledged as being a pre-requisite for economic growth and stability. It is clearly the primary responsibility of the UK Government – although the Executive bears responsibility for supporting and contributing to this objective - while the other three enabling objectives form the focus of the Executive’s approach. It is in these respects that the public sector has potentially the greatest contribution to make to the success of private sector entrepreneurial activity and to the overall growth performance of the Scottish economy.
12. While the fundamental economic analysis and the strategic direction of recent years remain valid, there are issues that have progressively increased in importance in the years since the first directions were set out in the original edition of FEDS. These are accorded a greater emphasis as integral elements of the Executive’s economic strategy. In summary, they include:

- better managing public finances, so that we are efficient and effective in procuring and providing public services and investment, upholding the highest standards of financial and economic management;
- raising the environmental sustainability of economic development to safeguard the interests of future generations;
- demographic change in Scotland, which poses a set of challenges that we have to meet to guarantee the long-run sustainability of the economy;
- reform of the planning system, since it can facilitate or constrain enterprise and business development, and the quality of life.

STRENGTHS AND WEAKNESSES OF THE SCOTTISH ECONOMY

13. At the aggregate level, it is clear that the performance of the Scottish economy remains constrained by its overall productivity performance. The graph below shows that Scotland’s productivity, as measured by GDP per hour worked, continues to lag that of many significant OECD economies, as well as the UK as a whole. This gap means that Scottish workers produce less for every hour they work than these competitors and this implies a less efficient use of resources. Productivity is central to determining the unit costs of production and the resources that are utilised in the production process and, thereby, to the global competitiveness of enterprises. It therefore plays a critical role in the development and expansion of markets and in the determination of economic growth, employment, profits and wages.

![Scottish productivity performance - GDP per hour worked, 2001 (UK = 100)](image-url)

Source: ONS
14. While the Scottish economy has many strengths, its low productivity performance is the main weakness.¹

**STRENGTHS**
- Significant structural adjustment already achieved and ongoing;
- Established strengths in specific sectors (for example, financial services, whisky, oil and gas extraction, biotechnology and lifesciences);
- Strong export performance;
- High levels of employment, low unemployment;
- High proportion of graduates in the population;
- Number and quality of academic and basic research institutions.

**WEAKNESSES**
- Low productivity in comparison to other OECD members;
- Low level of corporate research and development;
- Poor record in commercialising basic research;
- Low levels of entrepreneurship;
- Large persistent core of long-term unemployed;
- Deficiencies in the transport infrastructure;
- Demographic challenge arising from low birthrate and increasing dependency ratios.

**PRIORITIES**
15. Based on this assessment of the strengths and weaknesses of the Scottish economy, FEDS sets out the five priorities for raising productivity and promoting economic development:

- *basic education and skills.* We must improve the skills of the whole population through further support for the basic education system, by strengthening lifelong learning, and by nurturing higher and further education. This must include a concern for raising our manual and vocational skills. Better skills are the key to improving individual life chances, increasing the flexibility of the labour force and maintaining competitiveness. Scotland has to embrace the knowledge economy and the reality of continual learning if it is to compete in the global marketplace.

- *research & development and innovation.* Competitiveness rests on innovation leading to a continual process of business development, where the production and marketing of new and refined products is essential. The levels of research and development in Scottish business remain very low relative to our major competitors. When the key to securing a continuing productivity advantage lies to a large extent in the ability to access innovative and new methods of working and producing goods and services, this is a crucial challenge.

- *entrepreneurial dynamism.* The quality of entrepreneurial drive continues to be determined by a complex set of factors, ranging from the skills and knowledge of potential entrepreneurs and businessmen to the confidence they have in the opportunities that Scotland offers.

• **the electronic and physical infrastructure.** High-quality infrastructure is a prerequisite for thriving and successful enterprise in Scotland. Transport will continue to be a high priority, with a clear focus on improved strategic planning, infrastructure investment, reducing road congestion and improving public transport.

• **effective management of public sector resources.** The Executive’s expenditure decisions impact both directly and indirectly on economic activity, and the effectiveness and efficiency with which these expenditure programmes are undertaken therefore affects our economic performance. High standards of appraisal and evaluation will be maintained, and there will be a continual drive to identify more innovative and effective mechanisms for delivering and supporting public services.

16. The approach to developing Scotland's economic performance outlined in *FEDS* is complemented by *A Smart Successful Scotland*, which was published in 2001 as strategic direction for the Enterprise Networks, and which has also been refreshed. Again, the purpose of this refresh was not to change the broad themes but to ensure that the strategy accurately reflects the progress made since it was published, the challenges currently facing the economy and how these should be addressed. The refreshed *Smart Successful Scotland* is informed by *FEDS* as the overarching economic strategy but deals in greater detail with aspects relating specifically to enterprise including business research and development and innovation, entrepreneurial dynamism and skills. The refreshed SSS is presented as both strategic direction to the Enterprise Networks and a wider enterprise strategy which requires the support of business and a wider range of organisations. Changes in the refreshed SSS include:

• within the growing business theme, increased emphasis on growing companies of scale
• within the learning and skills theme increased emphasis on reducing economic inactivity
• within the global connections theme increased emphasis on creating competitive places, including through integrated regeneration projects
• increased emphasis on sustainable development and exploiting business opportunities linked to this
• greater attention to spatial aspects, recognising regional development objectives and the role of city regions as drivers of growth
• emphasis on the need for effective partnership working.

As before, both documents share the vision of providing economic opportunity for all of Scotland's people.
The Framework for Economic Development in Scotland

**Vision**

to raise the quality of life of the Scottish people through increasing the economic opportunities for all on a socially and environmentally sustainable basis

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**Principal outcome objectives**

- economic growth
- regional development
- closing the opportunity gap
- sustainable development

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**Enabling objectives**

- a stable and supportive macro-economic environment
- a facilitating national economic context: encompassing the physical, human and electronic infrastructure
- dynamic competitiveness in Scottish enterprises
- economic policies and programmes to secure the social, regional and environmental objectives

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**Improving productivity in enterprises and the public sector**

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**Key priorities for the Executive**

- basic education and skills
- research & development and innovation
- entrepreneurial dynamism
- the electronic and physical infrastructure
- managing public sector resources more effectively
SPENDING REVIEW 2004

17. On 29 September the Executive published *Building a Better Scotland, Spending Proposals 2005-2008: Enterprise, Opportunity, Fairness*. These spending proposals translate the devolved Scottish government’s key commitments into a clear programme of delivery. The priorities as set out in *A Partnership for a Better Scotland* formed the basis for this Spending Review:

- Growing the economy;
- Delivering Excellent Public Services;
- Supporting Stronger, Safer Communities; and
- Developing a Confident, Democratic Scotland.

18. The spending plans to 2007–08 reflect the fact that growing the economy is the top priority. Across a number of key portfolios, including Enterprise & Lifelong Learning, Education & Young People, Finance & Public Services and Transport, there are substantial increases in planned expenditure over the Spending Review period. While this expenditure will contribute to a range of priorities, it will have a major role in promoting economic development in Scotland.

19. The spending plans reflect the priority areas identified in the *Framework* in the broadest sense:

- **basic education and skills**: significant additional funding for school education and children’s services, increasing teacher numbers - and reducing class sizes where it matters most. Funding in Higher and Further Education, which has a significant role to play, will increase by over 30% from 2004-05 and exceed £1.6 billion by 2007-08. Investment in skills will continue through the Enterprise Networks.

- **research & development and innovation**: the Executive is committed to seeing increases in business investment in R&D and detailed spending plans will provide additional resources to help boost our performance.

- **entrepreneurial dynamism**: the Executive will continue to offer direct assistance to business and focus activity on removing barriers to growth for business. If additions for the Co-investment fund are ignored then the Spending Review largely maintained the Enterprise Networks budgets in real terms. Highlands and Islands Enterprise receive additional one-off funding in 2005-06 in recognition of the pressures likely to be caused by a number of large-scale projects. The Enterprise in Education programme will continue to engage with school children across Scotland, to achieved a long term benefit.

- **the electronic and physical infrastructure**: capital investment plans show significant increases over the spending review period across key areas such as transport and local government. Resource spending on transport will increase by £445 million over the 3 years to 2007-08, including a new transport fund to help the forestry industry increase its economic output and benefit the rural economy. The Executive will also invest in cultural facilities to boost tourism in the Highlands and provide continued funding for specific investment in our six cities.

- **managing public sector resources more effectively**: through the Efficient Government initiative, steps are being taken to provide higher-quality,
more efficient public services with the resources available. This is a central feature of the spending review, and the Efficient Government plan will be published shortly, setting out annual efficiency savings rising to at least £650m by 2007-08.

CAPITAL INVESTMENT

20. Plans for capital investment were also summarised in Building a Better Scotland. This growth in capital investment from £2.3 billion now to £3.2 billion in 2007-08 will more than meet the target of a 5% real terms annual increase in net investment over the Spending Review period set in June 2004. An Infrastructure Investment Plan will be published shortly, setting out the Executive’s infrastructure investment strategy for the next 10 years across all portfolios. It will also respond to the request from industry to set out more clearly what business and investment opportunities lie ahead in Scotland.

21. The Infrastructure Plan will identify priorities in terms of how, what, why and when the major investments in Scotland’s future are taking place for each Ministerial Portfolio. It also explains how the Executive intends to deliver this significant increase in infrastructure investment including:

- improved coordination between the public and private sectors in terms of construction and project delivery;
- funding methods; and
- commitment to development throughout all of Scotland.

22. Previously, the infrastructure investment activity of each public services organisation and department has been dispersed across a variety of separate documents in formats ranging from detailed plans to information contained within Annual Reports or websites. The Plan will draw together the Executive’s capital investment plans into one document for the first time.

23. A previous commitment was made to produce such a plan, both to enhance the presentation of the Spending Review outcome by showing a joined-up picture of the Executive’s capital investment plans and also to encourage the private sector to gear up in response to these procurement opportunities.

Andrew Goudie
Jane Morgan
Fiona Robertson
David Stewart
Background

The Executive’s decision to prepare a National Planning Framework was influenced by a number of considerations. The Review of Strategic Planning, which was essentially about the statutory system of development plans, revealed strong support for a national overview document. The European Spatial Development Perspective (ESDP) and EU Enlargement provide a wider context and the European Commission is keen to see spatial frameworks in place as a context for resource allocation after 2006. A Partnership for a Better Scotland committed the Executive to the preparation of the Framework.

The Framework was prepared with extensive stakeholder involvement and its contents subject to strategic environmental assessment.

It was published in April 2004.

Content

The Framework is a non-statutory planning policy document which looks at Scotland from a spatial perspective and sets out an achievable long-term vision. The Framework describes Scotland as it is in 2004, identifies key issues and drivers of change, sets out a vision to 2025 and identifies priorities and opportunities for different parts of the country in spatial perspectives for the Central Belt, East coast, Ayrshire and South West and rural Scotland. It identifies West Edinburgh and the Clyde Corridor as areas where major change is already occurring and the scale and complexities of the issues to be addressed is such that co-ordinated action is needed in the national interest. The spatial aspects of economic development, affordable housing, transport, water and drainage, renewable energy and waste are considered.

National Planning Framework: Economic Development

A Partnership for a Better Scotland identifies raising the long term sustainable growth rate of the Scottish economy as the Executive’s top priority. There are a number of documents which support the delivery of this priority, including the Framework for Economic Development in Scotland (FEDS) and a Smart Successful Scotland. As FEDS makes clear, the planning system is a crucial element in promoting economic development.

In the period 1995 to 2002, the number of people in employment in Scotland increased by nearly 8%. The biggest increases were in Midlothian (28%), West Lothian (25%) and Perth and Kinross (22%). Glasgow and Edinburgh experienced increases of 16% and 14% respectively. There were increases of 10% in the Highlands and 8% in the Borders. Decline occurred in Aberdeen, Dundee, Renfrewshire, Ayrshire and the 3 Island Council areas.
Trends in locational preferences of business and industry include:

- Clustering of activity around transport, nodes and arteries, for example Glasgow, Edinburgh and Aberdeen Airports, the M8/M9/M74 motorway network, Dundee’s Kingsway and the New Town Road Networks.

- Gravitation of office-based businesses and services towards urban centres.

- Growth of specialist, knowledge dependent activities around universities, research institutes and existing industry clusters, for example Pentland Science Park and Dundee Technology Park.

As a basis for prioritising investment, Scottish Enterprise has identified business locations which have the potential to become the focus for key industries and clusters. These can be grouped into a number of broad economic development zones. In the Highlands and Islands Enterprise (HIE) area, Inverness and the Inner Moray Firth is a zone with similar characteristics. In addition HIE is placing a strong emphasis on supporting economic and community development in fragile areas on the West Coast and in the Northern Isles. The Framework recognises that investment in new or improved infrastructure should take account of economic development priorities.

To be successful, economic development zones will require to have good links to the rest of Scotland and the wider world. The strategic business locations which they contain will need to be well connected with each other and readily accessible from residential areas. It will be important to ensure that the people in the areas undergoing community regeneration enjoy ready access to the opportunities being created in strategic business locations.

An important element of economic strategy is the promotion of synergies between clusters of related activities. The Enterprise Network is focusing on 7 clusters – bio-technology, creative industries, micro-electronics, optimal electronics, food and drink, forest industries and tourism. The planning system needs to ensure that business and industrial land allocations take account of opportunities to foster the development of clusters and facilitate the provision of supporting infrastructure.

There is scope for spreading the benefits of economic activity more widely. This will involve providing more areas with connectivity and environmental quality to need to participate successfully in the modern economy. A more even spread of economic activity will help to relieve pressures in high growth areas such as Edinburgh, provide additional opportunities in areas such as Ayrshire, Inverclyde, West Dunbartonshire and Dundee and improve the overall efficiency of the Scottish economy. Successful cities need to be supported by strong regions well connected to urban facilities and offering residential amenity, business environments with infrastructure which cannot be provided in the urban core along with a wide range of recreational opportunities.
• **Development Strategy**

The key elements of the spatial strategy to 2025 are:

- To support the development of Scotland’s cities as the main drivers of the economy.
- To spread the benefits of economic activity by promoting environmental quality and connectivity.
- To enable the most disadvantaged communities to benefit from growth and opportunity.
- To strengthen external links.
- To promote economic diversification and environmental stewardship.
- To highlight long-term transport options and promote more sustainable patterns of transport and land use.
- To invest in water and drainage infrastructure to support development.
- To realise the potential of Scotland’s renewable energy resources.
- To provide the facilities to meet its recycling targets.
- To extend broadband coverage in every area of Scotland.

• **Taking the Framework Forward**

The National Planning Framework is not a comprehensive masterplan or fixed blueprint. Instead it offers a perspective on Scotland’s long-term spatial development. The Executive and its agencies are not in control of all the factors driving change. Some must be seen in the context of European enlargement and globalisation. Others reflect the cumulative effect of decisions made by individuals and businesses. But the decisions the Executive and its agencies make can and do affect the potential of places.

Much development is already underway. As a result of expenditure commitments, for example in transport and decisions on planning applications and appeals, much of what will happen in our cities, towns and rural areas of the next 5-10 years are already fairly clear. Beyond that there are important choices facing Scotland. Some parts of the country have a buoyant economy and that is placing significant strain on existing infrastructure. Other areas have experienced sustained decline but a co-ordinated approach to regeneration can bring genuine economic, social and environmental benefits and close the opportunity gap between places. Striking the balance on policy, expenditure and action can involve difficult choices but we must take decisions on Scotland’s long-term interest.

The Framework provides a national context for statutory development plans and decisions on planning applications and appeals. It will also inform the on-going programmes of the Executive, public agencies and local government. It is one of the factors the Executive will take into account in reaching decisions on policy and spending priorities.
The Framework has already raised the profile of spatial issues and helped to strengthen links between land use, economic and transport planning. It has also provided a valuable starting point for collaboration on spatial planning matters at the UK and European levels.

The Framework recognises the need for a systematic approach to deciding priorities for investment in infrastructure and area regeneration. Major projects cannot be delivered overnight. Achieving lasting added value for individual parts of the country in Scotland as a whole will require careful attention to planning, design and construction. To make a real difference and give confidence and certainty we need to start these processes now. Strategic planning for Scotland’s future must ensure that resources are targeted where they can achieve most.

The publication of the National Planning Framework marks the start of the process of engagement and debate in Scotland’s long-term spatial development. Meantime the Framework is being taken forward through:

- The statutory planning system, community planning and the programmes of the Enterprise Networks.

- Factoring strategic spatial development considerations into the future spending priorities of the Executive, Community Scotland and Scottish Water and the work of the Ministerial Group on Regeneration.

- Taking spatial issues into account in policies and strategies such as the updated Framework for Economic Development in Scotland and a Smart Successful Scotland.

- Investing in transport, water and drainage and telecommunications infrastructure.

We intend to update the Framework every 4 years.
Finance Committee

30th Meeting 2004 – Tuesday 23 November 2004

Transport (Scotland) Bill - Financial Memorandum
Written Submissions

1. At its meeting on 28 September 2004, the Finance Committee agreed to conduct level two scrutiny of the Financial Memorandum of the Transport (Scotland) Bill. This was in line with the three level approach to the scrutiny of Financial Memorandum which the Committee agreed at its meeting on 14 September 2004.

2. To date, responses have been received from the following bodies:

   Scottish Power
   HITRANS
   Stagecoach Scotland
   CBI Scotland
   Cable and Wireless
   National Joint Utilities Group
   NESTRANS
   Strathclyde Passenger Transport

3. The Committee is invited to consider these submissions.

Terry Shevlin
November 2004
SUBMISSION FROM SCOTTISH POWER

Thank you for the opportunity to provide a response to the above questionnaire consultation document for the Finance Committee.

I have enclosed comments from ScottishPower on the Finance Committees, Financial memorandum consultation document on the Transport (Scotland) Bill. These comments are submitted on behalf of the licence holding and asset management companies within the ScottishPower group, namely, SP Transmission Ltd., SP Distribution Ltd and SP PowerSystems Ltd.

ScottishPower operates extensive underground and overhead electrical networks throughout the UK and the USA and appreciates the need for the Scottish Parliament to improve working in carriageways. We already have wide experience of the application and operation of the NRSWA 1991 Act in Scotland, England and Wales.

Executive Summary

ScottishPower welcomes the opportunity to comment on this questionnaire consultation document. The following comments are submitted on behalf of the licence holding and asset management companies within the ScottishPower group, namely, SP Transmission Ltd., SP Distribution Ltd and SP PowerSystems Ltd.

We operate extensive underground and overhead electrical networks throughout the United Kingdom.

It must be understood from the outset that the majority of congestion is directly or indirectly associated with road authority schemes. Over 50% of road works fall into this category being roads construction or renewal, roads maintenance, roads diversionary works, utilities diverting existing apparatus due to roads diversionary works within a roads works site or utilities undertaking diversionary works offsite in order to maintain their network.

We are concerned about the Scottish Parliament's questionnaire consultation, if at the end, it only takes in more revenue from the utilities and does not ensure that the main driver is improvement of traffic flows and reduction in disruption to road users. We believe that if it centres on only financial revenue raising, that this would represent a substantial imposition on electricity consumers (and others) and would not contribute to the efficient conduct of road works that we are required to undertake to fulfil our statutory and electricity licence obligations.

Utility companies will seek to recover any imposed additional costs of new regulations, which if approved by our Regulator, will inevitably lead to higher electricity prices.

The correct way forward is a joint approach, which I would state should be "In particular, we want to encourage roads authorities and utility companies to work together better and find effective joint solutions to improving the way in which works promoters road works are carried out".
Views on the financial memorandum questionnaire consultation document – underlying assumption

General comment:
Independent research carried out by the National Joint Utilities Group (NJUG) has revealed that at least 50% of road works are, in fact, carried out by the Roads Authorities. Given the more intrusive nature of the work carried out by roads authorities, it is likely that they cause a disproportionate degree of congestion compared with for example, electricity companies, whose projects are characterised by works in the verge or the footpath and which tend to be completed more quickly.

Recent data published in England (Transport Research Laboratory 1999 report quoted in the Highways Agency Business Plan 2002-3) advised that road congestion is caused by 65% traffic volumes, 25% incidents and 10% road works. It is generally accepted that 50% of road works relates to utility works and 50% authority works. The data supplied by the Scottish Road Works Register (SRWR) concerning the quantity of notices issued is incomplete, as many roads authority equivalent works are not noticed or recorded on the SRWR as their roadwork's are carried out under the Roads Scotland Act 1980. This Act does not place an obligation on the Roads Authority to send NRSWA notifications. The consultation must scale the problem to the proportions of responsibility and not restrict its investigations to a minor contributor to the perceived problem of congestion.

The original consultation stated that there is concern at the levels of traffic congestion caused to road users by works carried out by utility companies. While it is understandable that the original consultation document was focused on works carried out by utility companies, such an approach is based on the assumption that utility company works are the main or only source of congestion to road users.

In England and Wales, the Department for Transport (DfT) consultation on similar proposals, termed the Traffic Management Act (TMA) 2004 has not ignored the impact of highway authorities' works on the level of disruption and we would urge the Scottish Parliament to take recognition of this crucial area. If this situation is not corrected, such an inherent weakness in the basis for legislation or change makes it doubtful whether new legislation or proposals could significantly reduce congestion on Scotland's roads, since it ignores at least half of the root cause of the problem it seeks to address.

The original consultation paper proceeded on a second assumption – i.e. that there has been a great increase in the congestion to road users caused by road works. We would suggest that further research be carried out to determine whether this is in fact the case before implementing regulations and costly charging proposals. There is no evidence to say whether the problem has got better or worse since 1993, it is perceived that pressure has increased both from numbers of road works and from levels of traffic.

It would be extremely disappointing if the Scottish Parliament were to set a precedent for introducing new legislation and charges based purely on perception rather than on firm evidence of a requirement or an assessment of the likely effects. We believe that Scotland already leads the way in the field of co-ordination of works,
due largely to the spirit of co-operation which exists between Roads Authorities and Utilities and their combined use of the Molesey system (which may soon be available on a UK wide basis). Scotland has an opportunity to lead the way in the United Kingdom and to show that it is possible to effectively manage the congestion caused by road works without resorting to cumbersome charging mechanisms.

Questionnaire

CONSULTATION

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?
ScottishPower Plc. did take part in the Scottish Executive’s consultation exercise on two documents for SCOTLAND’S TRANSPORT consultations these were on “Proposals for a New Approach to Transport in Scotland” and “The Regulation of Utility Company Road Works”.

Comments were emphasised on the policy and choice within the consultation documents. The potential cost implications were only covered, in as much, as possible potential costs to this organisation in relation to operation of the new regulations.

No comments were made on the financial assumptions made, as the majority of these centred on the Scottish Executive and the Local Authorities.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?
ScottishPower Plc. did not comment on the costs to the Scottish Executive and the Local Authorities in the original consultation and that is still the case for the Financial Memorandum, with regards to Parts 1 and 3.

However, with regards to Part 2, this will have financial implications for this company:

The section on “Costs on the Scottish Administration”, page 72 and 73, from paragraph 150 to 155 is generally reasonable and acceptable to this organisation.

The section of training and other associated awareness raising, as described in pages 73-74, paragraphs 156 through to 158 will have cost implications, but as this is a very important area for all organisations, which excavate on the roads. All staff operating on the roads, should be suitably trained and authorised to the appropriate level for the work required of them. This should be applicable to Roads Authorities and Utilities and any contractor involved in this type of work.

Refresher courses should be organised on a regular basis and no operative should have their module or certificate automatically renewed, without attending a refresher training course and passing the necessary requirements.

Legislation is continuing to change with regards to NRSWA and it is imperative that the operatives are kept up to date and abreast of these changes.
Therefore ScottishPower will accept these additional Transport (Scotland) Bill, NRSWA training costs, to ensure legislative compliance.

The paragraphs on Page 74 from 159-163 will have to be assessed from a comprehensive Regulatory Impact Assessment (RIA), when the detail of the Regulations and Code of Practice are visible, from the nominated RAUC(S) Working Groups.

With regards to the section on Enforcement, Pages 74-75, sections 164-168, without including road authority activities within the proposals, the public will only be marginally affected by any improvements.

ScottishPower Plc. welcomes the decriminalisation of certain offences into fixed penalties, but wishes these to apply to both Utilities and Roads Authorities.

The question is not clear, as there will be increased charges. If charges are introduced, they will definitely increase the administration of the systems and if they become overly complicated, then additional costs will be incurred, both by the road authorities and utilities. It is important that any new requirements are simple, realistic to operate and not overly complicated with regards to introduction of improved IT requirements or associated staffing.

It is important that sight is not lost of the main driver of this consultation and that is to reduce congestion and disruption to other road users, this is enshrined in the HORNE report, which brought about the NRSWA Act 1991, it is not to raise revenue for local government.

These points were raised, within the original consultation, but have not been identified as additional costs to other bodies and businesses, such as ScottishPower Plc.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes.

- In fact, ScottishPower Plc. actively participated through myself, in the additional submissions by Scottish Joint Utility Group (SJUG) and the Road Authority and Utility Committees for Scotland RAUC(S), combined Road Authority and Utility submission to the Scottish Executive.

COSTS:

4. If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not please provide details.

Refer to item 2.0 above.

The Financial Memorandum implies that the operation of this Bill will have little or no financial impact on the Statutory Undertakers (SU’s), but this is not the case.

The table 1.0 below emphasis this point:

<table>
<thead>
<tr>
<th>Initial Start up costs for ScottishPower-</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>PowerSystems (SP-PS)</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Initial staffing and administration costs</td>
<td>0.4</td>
</tr>
<tr>
<td>IT systems improvements</td>
<td>0.2</td>
</tr>
<tr>
<td>GIS system improvements</td>
<td>0.25</td>
</tr>
<tr>
<td>Fixed Penalty Notices (FPN), based on 20% of NRSWA Notices sent</td>
<td>0.5</td>
</tr>
<tr>
<td>Additional training requirements</td>
<td>0.1</td>
</tr>
<tr>
<td>NRSWA Training and Accreditation database</td>
<td>0.05</td>
</tr>
<tr>
<td>NRSWA Management database (for defect, monitor and control)</td>
<td>0.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.65</strong></td>
</tr>
</tbody>
</table>

There will also be ongoing annual costs for the Statutory Undertakers, likely to be in the region of £0.5 M per annum.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met? Yes.

However, the enforcement charges must be rigorously monitored to ensure fair play and applied equally to Roads Authorities and Utilities. They must not be perceived to be profits, based on revenue raising from Utilities.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise? Yes.

WIDER ISSUES

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum? Taking an overall view of the Bill and consultation documents, I would express my opinion in the affirmative.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs? Yes. The Codes of Practice will require extensive revision to be legally compliant with NRSWA and its associated regulations, but once achieved, areas of doubt and conflict could be eliminated or at best minimised, thus reducing costly court cases.

In particular the "Safety at Street Works and Road Works" COP and the "Code of Practice for Inspections" should be made into legislative requirements. This is because the majority of issues, come from Safety and Inspections of site works and is therefore an issue for Utilities and Roads Authorities.
Without including road authority activities within the charging proposals, the public will only be marginally affected by any improvements from the introduction of this Bill.

The existing Scottish Gazetteer must be a legislative compliant requirement, to be as accurate as possible for all works promoters to utilise effectively and to make it become electronically driven by use of Geographical Information Systems (GIS) systems for Roads Authorities and all Statutory Undertakers. This would have a financial implication on the Scottish Executive and Local Authorities.

It is in everyone's interest to carry out the roadworks as quickly and efficiently as possible and to the correct reinstatement specification, so as the general public, do not have congestion or disruption for any longer than is necessary. However, if the work is not carried out correctly, thus resulting in a defect and further excavation and disruption, then more severe fixed penalties could be applied to these defects.

Measurement of road works, over runs and extensions to notified and agreed work periods, should be monitored and reported on, as a separate consultation exercise to assess the extent of disruption caused by inefficient or prolonged working by both Utilities and Road Authorities.

SP-PowerSystems has developed a NRSWA Management database, which will provide management key performance indicators, based on defects reported from local authorities. This system will report on in-house and external contractors performance per Council and should allow SP-PowerSystems to monitor and drive quality of safety at excavations and improve reinstatements. Perhaps a similar management system could be developed and implemented by the Scottish Executive or the Moleseye UK electronic notification be improved to provide these performance measures.

If the status quo is maintained and only the Utilities have their performance monitored and measured, but if the Roads Authorities performance is to be monitored also, then the reporting of performance indicators should be via an independent body, (such as the arbitrator role) to the Scottish Executive, via RAUC(S), this will provide overall improvements.

If the Scottish Executive introduced legislation, which levies a nominal charge for every notice submitted to a Roads Authority. Then the Roads Authority could utilise this income to employ additional experienced Roads Inspectors and thus monitor and report the defects to the site operatives as the work proceeds across all the dimensions from start to finish. At the present time the Roads Inspectors are viewed as the "expert" authority on the NRSWA aspects of road and street works. This system could have the desired effect without huge administrative charging systems being required.

SUBMISSION FROM HIGHLANDS AND ISLANDS STRATEGIC TRANSPORT PARTNERSHIP

1. HITRANS is a voluntary partnership comprising:-
• Argyll and Bute Council
• Comhairle nan Eilean Siar
• Highland Council
• Highlands and Islands Enterprise
• Highlands and Islands Public Transport Forum
• North Ayrshire Council (Arran and the Cumbraes)
• Moray Council
• Orkney Islands Council
• Scottish Council Development and Industry
• Shetland Islands Council

2. Its objects are to undertake research and gather information about the transport needs of the region; to prepare and keep up to date a regional transport strategy endorsed by all the partners; to implement regional transport projects; to act as the strategic consultation body on behalf of the partners; and to establish a dialogue with government, users and operators.

3. The following comments relate to the request for written evidence on 28 October 2004 from the Clerk to the Finance Committee and follow the headings in the questionnaire enclosed with that letter.

Consultation

4. In June 2003 HITRANS forwarded preliminary observations on a National transport Authority and Regional Partnerships to the Executive’s officials who were drafting the consultation paper on proposals for a new approach to transport in Scotland.

In September 2003 that consultation paper was published. In November HITRANS organised a major seminar for regional transport stakeholders, and the output from that seminar along with HITRANS response to the consultation paper was forwarded to the Executive in December 2003.

The White paper on Scotland’s Transport Future was published in June 2004 with the consultation paper on proposals for Statutory Regional Transport Partnerships following in October, at the same time as the Transport (Scotland) Bill. A response to this consultation will be agreed by HITRANS in December.

5. In answer to the questionnaire HITRANS did play a part in the consultation exercise over a period of 6 months during 2003. Sufficient time was available to contribute to the consultation exercise. Our response on financial matters suggested that central government grant should be the main source of funding for the Regional Transport Partnerships, both for running costs and particularly in terms of capital resources for delivering regionally strategic projects. The Financial memorandum allows for the first year’s start up costs to be met from central funds, but thereafter it assumes that all costs will be borne by the constituent Local Authorities. We did not envisage powers of requisition on Local Authorities in our consultation response because this is a new function.
The ongoing running costs of the new Regional Partnerships, rather than simply the first year start up, should be met by continuing central grant.

Costs

6. Although we have yet to respond formally to the latest consultation, HITRANS has always taken the view that our Regional Partnership should not draw up functions from Local Government. Therefore we see the Partnership as a Model 1 organisation concentrating on strategy. The running costs to perform this function will be slightly more than the costs of running the voluntary partnership because a statutory body will need to allow for premises and members costs, and should not have to depend on in kind help from its members. The current annual running cost for HITRANS is £250,000. We believe that the cost of a statutory partnership will be in the order of £400,000. This is detailed in the attached table. These draft estimates have not been forwarded yet to the Executive as part of the consultation process and still require to be discussed by the HITRANS Board.

7. In answer to the questionnaire we believe that the start up costs proposed for the Scottish Administration will not meet the full costs. Using the broad assumptions in the Financial Memorandum the proposed allocation to HITRANS would be £320,000, some £80,000 less than the running costs that we anticipate. Beyond year one, should these running costs transfer to the constituent Local Authorities, then there is no provision to meet them under the current GAE settlement. At present the Local Authorities are contributing some £110,000 to the running costs and a fourfold increase would be difficult to fund. This is why we have argued that central grant should continue beyond start up.

8. Future costs in running the partnerships are not clear at this stage. There will be the power to borrow money under Section 3(5) of the Bill. Loan charges will form part of the net expenses which under Section 3(1) of the Bill will be paid by constituent councils. This where significant requisition requirements could arise which could lead to cuts elsewhere in the local authorities transport budgets. The HITRANS Board has been unanimous in opposing this type of requisitioning on local transport funds and is firmly of the view that central funds should support the partnerships.

Annex A

Example of a staffing and administration budget for the regional partnership

Staff Establishment:

Chief Officer
Administrator
Research officer

Budget:

- 3 staff (salaries/pensions etc) £130,000
- Expenses (travelling etc) (2 staff x £1000 per month) £25,000
Consultants and studies £200,000
Office costs (rent, rates, heat etc) £10,000
IT (computers/phones/ communications) £5,000
Publicity £5,000
Admin (members costs, insurances, stakeholder groups) £30,000

Total £400,000

HITRANS Budget 2004/5

Co-ordination and administration £70,000
Board meetings £5,000
Consultants studies £169,000
Publicity £6,000

Total £250,000

Financial Memorandum Estimates

5 staff £160,000
Administration £40,000
Members Expenses £20,000
Office costs £100,000

Total £320,000

SUBMISSION FROM STAGECOACH SCOTLAND

CONSULTATION
1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?
Yes, but not on the financial assumptions.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?
Not applicable.

3. Did you have sufficient time to contribute to the consultation exercise?
Yes.

COSTS
4. If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.
There is uncertainty in the detailed implications for us, but we are happy that, through CPT, there is scope for discussion with MSPs and key officials.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?
Any cost implications ought to be met through partnership working between operators, local authorities, regional partnerships and the Scottish Executive.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?
Largely, but there is uncertainty, as outlined above.

WIDER ISSUES
7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?
Largely, but there is uncertainty, as outlined above.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?
We are not well placed to forecast such costs at this time.

SUBMISSION FROM CBI SCOTLAND
Iain McMillan, Director of CBI Scotland, has asked me to respond to your recent request to complete a questionnaire regarding the financial assumptions underlying the Transport (Scotland) Bill.

Overall, the financial assumptions made do appear to be reasonable, although the estimated costs associated with the establishment of the Regional Transport Partnerships do have a tendency to be 'optimistic'. The costs may turn out to be greater but probably not significantly so.

We are not in a position to comment on the validity of the additional provision made in the Scottish Executive transport budget for national concessionary travel schemes.

Nor are we able to comment on whether there will be any additional costs associated with the Bill.

SUBMISSION FROM CABLE AND WIRELESS
Thank you for allowing Cable & Wireless UK (C&W) the opportunity to respond to the Finance Committee’s Questionnaire on the Bill.

C&W, a public communications provider, since 1984 has invested in developing, and continues to develop a communications network in Scotland for the purpose of providing communication services to Scottish subscribers.

C&W supports the Executive’s objectives to reduce congestion and improve co-ordination, communication and co-operation, in activities that affect road users. However C&W has concerns that some measures contained within the draft Bill will have a significant financial impact on the construction and maintenance cost of that
part of C&W's existing and future network in the public roads of Scotland, while failing to deliver any real benefits of managing traffic in the future.

Please find below a sequential response to the questions raised in the Financial Committee's Questionnaire

CONSULTATION

1. Question: Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?
   Answer: Yes C&W as a member of National Joint Utilities Group (NJUG) took part in the consultation exercise for the Bill and identified a number of areas of financial concern over such issues as training, additional resurfacing, increases in fines and fixed penalty offences. NJUG, on C&W’s behalf were unable to quantify any meaningful additional budgetary costs to the communications industry at the consultation stage. This was due to the lack of detail contained in the consultation document, which dealt with the generic options available to the Scottish Parliament to reduce road traffic congestion.

2. Question: Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?
   Answer: No because as in 1 above, the opportunity to comment in detail was not available. The Financial Memorandum, specifically Part 2: ROAD WORKS (SECTIONS 14 to 36) paragraphs 149 to 166 provides the basic detail not available in the consultation document.

3. Question: Did you have sufficient time to contribute to the consultation exercise?
   Answer: Yes, through NJUG.

COSTS

4. Question: If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.
   Answer: Only as far as the financial costs to a public communications provider are indicated in costs for new training, additional road resurfacing, increases in fines and fixed penalty offences that are related to the proposed new requirements that would be place on C&W by the Bill. However, as with the similar Traffic Management Act 2003 (in England) it is not possible to provide a reliable estimate of the increase in substantial costs without a detailed understanding of any secondary legislation.

5. Question: Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?
   C&W will have to either meet the additional costs or pass them on to its subscribers. Consultation with the industry regulator will be essential to avoid this legislation having an impact on C&W delivering services to existing and future subscribers in a timely and cost-effective manner and developing new communication services in Scotland.
6. Question: Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?
Answer: C&W supports the comments made to the Committee by NJUG, which are:

“No. There is no comfort factor available to industry associated with the Financial Memorandum because it can only indicate policy at the current stage of consultation. The secondary regulation associated with the Bill will be the key factor relating to the cost to industry and its customers. Our experience with the Westminster Government’s Traffic Management Act 2003, has been that the use of an enabling bill with minimal detail, with all the detailed implications being worked out during the Regulations stage, limits the ability of stakeholders to influence the legislation, because the ability to accurately identify the costs of proposed measures, is severely hampered until very late on in the process, when decisions have already been made. We would urge greater detail to be made available, in order that we can accurately provide the likely costs of the proposed measures.”

WIDER ISSUES
7. Question: If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?
Answer: No as in 6 above.

8. Question: Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?
Answer: As stated in Answer 6 above, secondary legislation (regulations etc.) will be a major factor in determining the annual increase in cost to C&W in complying with the Bill. Such additional costs may affect and prevent C&W from delivering services required by existing and potential subscribers within acceptable time and cost parameters.

SUBMISSION FROM THE NATIONAL JOINT UTILITIES GROUP

NJUG is the voice of the utilities in streetworks. It represents the major industry associations and operational companies in the electricity, gas, water and telecoms industries. NJUG was formed, as the National Joint Utilities Group, in 1977.

NJUG welcomes the opportunity to respond to the Finance Committee’s questionnaire on the Bill. NJUG has unrivalled experience of the passage of this kind of legislation, gained from in-depth involvement in the supporting the development of policy, both through working with Government directly in the drafting of Regulations and Codes of Practice etc, and through supporting Parliamentary intervention / scrutiny. We would therefore be delighted to assist the Committee in its investigation.

NJUG supports the Executive’s objectives to reduce congestion and improve co-ordination, communication and co-operation, and indeed have been working hard to improve in these areas, independent of any legislative measures. We support the introduction of a Transport Commissioner to oversee works across Scotland,
however are concerned that some measures contained within the Draft Bill will have a significant financial impact on utilities, without delivering the consequent benefits.

In this response, we reply in turn to each of the Committee’s questions:

CONSULTATION
1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?
NJUG and its member companies all took part in the consultation exercise for the Bill and identified a number of areas of financial concern over such issues as training, additional resurfacing, increases in fines and fixed penalty offences, however we were unable to quantify any meaningful additional budgetary costs to industry at the consultation stage. This was due to the (expected) lack of detail contained in the consultation document which dealt with the generic options available to the Scottish Parliament to reduce congestion.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?
No, because as in 1 above, the opportunity to comment in detail was not available. The Financial Memorandum, specifically Part 2: ROAD WORKS (SECTIONS 14 to 36) paragraphs 149 to 166 provides the basic detail not available in the consultation document.

3. Did you have sufficient time to contribute to the consultation exercise?
Yes.

COSTS
4. If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.
Partly, but only as far as the financial costs to industry specifically reflected in the new training, additional resurfacing, increases in fines and fixed penalty offences are related to new additional requirements.

In performing an exercise to estimate the likely costs arising from the Traffic Management Act which was passed by the Westminster Parliament earlier this year, NJUG estimated that the total costs arising out of that Act could add £55 annually to utility bills for every consumer household. This was based on a series of assumptions about the detailed content of secondary legislation and, in truth, it is impossible to provide a reliable estimate of the costs associated with the Bill without a detailed understanding of any secondary legislation. What we can say for certain, however, is that we would expect the costs to be extremely large by any standard of measurement.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?
NJUG members will only be able to meet the additional costs by passing on these costs to the consumer. Consultation with the industry regulators will be essential to avoid this legislation having a negative impact on utilities’ responsibilities to deliver essential services to customers in a timely and cost-effective manner.
6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?
No. There is no comfort factor available to industry associated with the Financial Memorandum because it can only indicate policy at the current stage of consultation. The secondary regulation associated with the Bill will be the key factor relating to the cost to industry and its customers. Our experience with the Westminster Government’s Traffic Management Act, has been that the use of an enabling bill with minimal detail, with all the detailed implications being worked out during the Regulations stage, limits the ability of stakeholders to influence the legislation, because the ability to accurately identify the costs of proposed measures, is severely hampered until very late on in the process, when decisions have already been made. We would urge greater detail to be made available, in order that we can accurately provide the likely costs of the proposed measures.

WIDER ISSUES
7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?
No as in 6 above.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?
As mentioned in 6 above, the subordinate legislative framework will be the key factor allowing industry to evaluate the budgetary costs of complying with the Bill. Invariably this will involve future costs which we will have no alternative but to pass on to the consumer as higher charges for all utility services, including fuel.
SUBMISSION FROM NESTRANS

NESTRANS, as the existing voluntary Regional Transport Partnership for the north east is pleased to respond to the invitation to submit written evidence to assist the Finance Committee in its scrutiny of the costs arising from provisions in the Transport (Scotland) Bill.

As a voluntary Regional Transport Partnership NESTRANS is comprised of four partner organisations - the two north east local authorities, Aberdeen City and Aberdeenshire, Scottish Enterprise Grampian, and representing the local business community Aberdeen and Grampian Chamber of Commerce. Building upon informal working between the four partners since 1997, NESTRANS was formally constituted in summer 2001. It operates through a Board (presently chaired by the leader of Aberdeen City Council), a Management Team of officials from the four partners, and a small full time office. The NESTRANS office comprises a Co-ordinator (secondment at Director level), a PA/Administrator, and soon to commence work a Transport Policy Officer (also on secondment). NESTRANS’ current operational budget is £750,000, this being funded by the two local authorities, Scottish Enterprise Grampian and the Scottish Executive. Funding contributions in 2004/2005 are: Aberdeen City Council £162,500, Aberdeenshire Council £162,500, Scottish Enterprise Grampian £100,000, and Scottish Executive £325,000 (matching local authority contributions). The Scottish Enterprise Grampian contribution is particularly tied to projects/activities which support economic development.

Of the total budget of £750,000, staff and office costs comprise £146,000, specialist support, events etc comprise £154,000, with the remaining £450,000 allocated to project development and delivery covering for example the development and appraisal of rail enhancement projects, the preparation of a freight distribution strategy, travel awareness initiatives, and traffic modelling.

The following comments address the particular questions raised in the questionnaire circulated by the Senior Assistant Clerk to the Committee.

Consultation

The proposals for the establishment of statutory Regional Transport Partnerships set out in the Transport (Scotland) Bill have been based on extensive earlier consultation by the Scottish Executive, especially through their September 2003 consultation paper Scotland’s Transport: Proposals for a New Approach to Transport in Scotland. NESTRANS was actively involved in that consultation process and also facilitated a consultation meeting involving a wide range of stakeholders in the north east. However, the resource issues raised in the consultation related essentially to the method of funding Regional Transport Partnerships (requisition from local authorities, direct funding from Scottish Executive, etc), rather than their likely establishment and running costs.

Whilst the financial assumptions for Transport Partnerships as now set out in the Financial Memorandum accompanying the Transport (Scotland) Bill are not drawn from any previous consultation they have sought to take account of the running costs of some of the existing voluntary Regional Transport Partnerships.
Costs

Year 1 Costs
The Financial Memorandum states that the Scottish Executive will cover the full additional start up costs for the new Regional Transport Partnerships in their first year of operation (assumed to be 2006/2007). This is deemed to cover the costs of staff, accommodation and member expenses involved in the production of regional transport strategies. Excluding the particular provisions for the Strathclyde Passenger Transport successor body, the Memorandum assumes these costs for each of the other four Regional Transport Partnerships to be £320,000 comprised of:

<table>
<thead>
<tr>
<th>Costs</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs (5 staff)</td>
<td>£160,000</td>
</tr>
<tr>
<td>Administration costs</td>
<td>£40,000</td>
</tr>
<tr>
<td>Members’ expenses costs</td>
<td>£20,000</td>
</tr>
<tr>
<td>Accommodation/establishment costs</td>
<td>£100,000</td>
</tr>
<tr>
<td></td>
<td><strong>£320,000</strong></td>
</tr>
</tbody>
</table>

Whilst the commitment by the Executive to fully fund these initial costs is welcomed NESTRANS would question whether the financial provision is sufficient both in respect of staff costs (when on-costs are included) and more specifically the likely additional specialist consultancy costs which would need to be incurred in the preparation of a regional transport strategy.

Besides the production in their first year of a regional transport strategy it will be reasonable to expect the new statutory Regional Transport Partnerships would continue the work of existing voluntary partnerships, and especially continue their role in the development and delivery of regionally important transport projects. This has been the main focus of recent NESTRANS activity, developing, appraising and arranging for the delivery of strategically important projects such as the Aberdeen Western Peripheral Route, Aberdeen Crossrail, and Rail Freight Gauge Enhancement. The annual cost of this work has been of the order of £450,000. Recognising its strategic importance NESTRANS has received financial support from the Executive through grant under Section 70 of the Transport Act (Scotland) 2001, matching local authority expenditure. It is vitally important that this work and the funding contribution from the Scottish Executive is maintained. This would appear to be the case from the statements in para 135 of the Financial Memorandum that “… the Scottish Executive currently provides funding to support the existing core costs of the voluntary Regional Transport Partnerships … and … the policy intention is to continue the provision of this funding to Regional Transport Partnerships“, and also para 140 relating to grants for special initiatives. Some further clarification and confirmation of this continued funding would be welcome.

Ongoing Running Costs for Local Authorities
The Financial Memorandum assumes that after their first year of operation the full costs of the new statutory Regional Transport Partnerships will be borne by constituent Councils, through requisition by the Regional Transport Partnerships. It is also stated in para 143 that no increased costs for local authorities are anticipated as a consequence of Regional Transport Partnerships.
Even on the basis of the Transport Partnerships opting for the minimum of functions it is difficult to see how this will not lead to some increased costs for local authorities. The minimum functions of maintaining a regional transport strategy (through monitoring, review and co-ordination), are essentially new burdens falling upon local government and as such it would be reasonable to expect additional ongoing financial support to be made available to local authorities. It would also be expected that the Scottish Executive will continue to provide Section 70 grant to Regional Transport Partnerships towards the development, appraisal and delivery costs of strategic transport projects.

Whilst the Councils in the north east each presently contribute £162,500 to the costs of NESTRANS, primarily in relation to the co-ordinated promotion of north east transport needs and the development of strategic projects, any significant additional ongoing costs could be difficult for constituent Councils to meet, without prejudice to their other commitments.

The ability and willingness of constituent Councils and other potential funding partners to meet the financial costs of a new Regional Transport Partnerships for the north east will depend upon its total costs, the proportion expected to fall to local Councils, and the provision made for any additional expenditure in GAE provisions. In response to the 2003 consultation NESTRANS did not favour direct funding of statutory Regional Transport Partnerships by the Scottish Executive. The preference was for continued joint funding of core costs with the Scottish Executive match funding local authority contributions, this reflecting the belief that local accountability requires some local funding.

The principle of requisition from Councils is extremely contentious and serious concerns have been expressed within the north east Councils, especially should requisition be used as a means of financing loan charges for prudential borrowing.

Wider Issues
The Bill seeks to implement that part of the proposals in the 2004 Transport White Paper Scotland's Transport Future relating to the effective co-ordination of transport and delivery of strategic projects at the regional level. The other main strand of those proposals in respect of delivery is the establishment of a National Transport Agency. As it does not require legislation the National Transport Agency does not feature in the Transport (Scotland) Bill nor are the costs of its establishment referred to in the Financial Memorandum. As the functions and costs of the National Transport Agency are not specified it is difficult to know whether or not there is any significant relationship to the costs of the proposed Regional Transport Partnerships.

SUBMISSION FROM STRATHCLYDE PASSENGER TRANSPORT AUTHORITY AND EXECUTIVE

Introduction
1. This memorandum of evidence is submitted to the Finance Committee on behalf of Strathclyde Passenger Transport Authority and Executive (SPT). Separate evidence is being submitted to the Local Government and Transport Committee, which provides SPT’s perspective on the broader policy context of the Bill.
2. In summary, however, SPT sees the present Bill and White Paper as an improvement on last year’s consultation document, and welcomes the fact that the Scottish Executive has addressed some of the issues raised in SPT’s consultation response. Nevertheless, SPT retains significant concerns about the Bill. It also has specific reservations about the Financial Memorandum and the funding arrangements which are envisaged for the future delivery of transport at the regional level. It is important to note that the adverse policy consequences of the current proposals will be concentrated on the west of Scotland, but some of the potential financial ramifications of the Bill affect all of Scotland.

3. SPT’s evidence to the Finance Committee has been prepared to:

- outline existing and proposed financial arrangements, and their weaknesses
- comment on some of the policy assumptions behind these financial arrangements; and
- highlight specific concerns about transitional and ongoing costs.

Financial arrangements

4. The Scottish Executive’s White Paper, *Scotland’s transport future*, indicated an intention to continue with broadly the current mechanisms for allocating funding for transport purposes, and this is confirmed in paragraphs 129 - 130 of the Financial Memorandum. SPT is strongly of the view that this is inconsistent with the policy intent of the Bill, since it provides no basis for protecting against a diminution of local government spending on transport when increasing pressures on other services take priority. This is borne out by experience in the west of Scotland.

5. Currently SPT is required to negotiate with the 12 unitary councils in its area to secure revenue funding for transport delivery and to cover the debt charges associated with its previous section 94 capital expenditure.\(^1\) The revenue funding received by SPT from its contributing councils has increased by no more than 2.5% per annum since 1998, at a time when the costs of procuring subsidised bus services have risen on average by more than 10% per annum. In addition, no additional revenue funding has been included within the local government settlement for additional burdens arising from central government policies and legislation. Compliance with the Transport (Scotland) Act 2001 alone has resulted in unfunded expenditure by SPT of more than £500,000 per annum. SPT also continues to bear costs arising from previous government policies relating to bus industry privatisation in the form of pension liabilities of £600,000 per annum, again without any evident provision within the local government GAE.

6. SPT’s general transport expenditure is greater than the level of contribution from its unitary authorities. The attached graph (Appendix A) confirms that in previous

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\(^1\) There is an obvious inconsistency here. SPT has received its own separate S94 consents direct from the Scottish Executive, but central support for debt charges is channelled indirectly through the councils.
years the amount of GAE funding factored through to unitary authorities has not been passported to SPT for public transport purposes. While the amount raised is now much closer to the level of support within the RSG (GAE included for buses, subway and ferries plus loan charge support), the figures also show that no allowance has been made within the local government settlement for the transport planning and promotion functions which form part of SPT’s statutory duties as a strategic regional body.

7. Without additional funding, the creation of regional transport partnerships (RTPs) across the whole of Scotland will simply extend this problem more widely. Inevitably, local councils will wish to give preference to their direct statutory functions, such as education and social work, in any conflict of funding priorities with those of RTPs.

8. The Scottish Executive’s current consultation on RTPs suggests that the power of requisition will overcome such funding difficulties in future and thus avoid problems of the type that SPT has experienced. But this proposal appears to rest on a misreading of the current legislation and a misunderstanding of its application. SPT already possesses the power of requisition: what the consultation document actually seems to describe is the power of precept. Even this, however, would almost certainly result in a system of informal political negotiation which would in practice limit RTPs’ ability to fund a needs-based budget through a draw on their contributing councils.

9. The proposal that RTPs will be able to participate in prudential borrowing for transport projects is to be welcomed. However, it needs to be understood that the requirement for local government investment in the public transport sector is a reflection of market failure. If private sector operators are unwilling to fund the investment that is required to deliver public policy objectives in this field, the hard reality is that such projects are unlikely to generate a sufficient financial return to remunerate public sector investment through the prudential code. SPT raised this issue with the Scottish Executive at the beginning of the current financial year but to date is outstanding a response or any practical guidance as to how use of prudential borrowing will add significantly to the capital resources available for transport purposes.

10. As an example, if SPT wished to spend an extra £3m on the delivery of transport infrastructure, an additional £300,000 per annum for a period of 15 years would be required to service this debt. While in terms of the total transport budget £300,000 is very little, it would represent an additional 1% on SPT’s requisition, and obviously this requirement would grow year on year if investment – and re-investment – in transport projects was to be maintained at this annual level. With no direct charge-raising powers of their own, SPT and the proposed RTPs will have virtually no means of generating revenue streams in support of prudential borrowing other than through requisition. The limitations on the practicalities of securing additional requisition from unitary authorities referred to in paragraph 7 apply equally in this area and must be recognised.

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Policy assumptions

11 SPT considers that the basic financial premise underlying the Bill and therefore the Financial Memorandum – that the funding already available for transport in the local government settlement and through the Scottish Executive’s existing direct provision will be sufficient to ensure the transformation in Scotland’s transport to which Ministers aspire – is fundamentally flawed. The Scottish Executive itself has commissioned research which was explicit regarding the inadequacy of funding available in Scotland for transport purposes. This research concluded that an increase of about 50% in capital funding and 20% in revenue funding is needed in Scotland for effective transport policy delivery.3

12 This is consistent with SPT’s own experience in the period since local government reorganisation, during which its funding has been substantially less than prior to 1996 and below that available to comparable English PTEs. (See Appendix B – GMPTE is the nearest equivalent.) While recent announcements of additional funding for major public transport infrastructure projects in Scotland may go some way towards recovering lost ground in capital funding, this does not address the persistent and chronic shortage of revenue support for maintaining and developing existing public transport provision and ancillary facilities such as integrated ticketing and passenger information. This issue has been discussed repeatedly with the Scottish Executive, but no secured additional revenue funding has been forthcoming.

13 In a context where private motoring costs are increasing at less than the rate of inflation while for financial reasons public transport fares are increasing in real terms, it becomes progressively more difficult to secure the diversion of journeys from private to public transport which is needed to secure the Scottish Executive’s transport policy objectives. There is therefore a fundamental mismatch between the Bill’s stated high-level policy justification and the financial provisions and implications of the Bill and its accompanying documentation.

Transitional and ongoing costs of the proposals

14 SPT does not believe the Bill's proposals add any real policy value that could not be delivered through current mechanisms. SPT considers that the proposed expenditure of at least £7m over two financial years to establish the Transport Agency and RTP network would be more effectively utilised in delivering real transport solutions. Additional spending of £3.5m per annum on transport provision in the west of Scotland would be the equivalent of an increase of 22% in SPT's general transport budget. For example, the purchasing power of this would equate, in the SPT area, to delivery of local bus services to more than 4 million passengers per annum or the purchase of three new Subway trains to enhance frequency and reliability.

15 Paragraph 138 of the Financial Memorandum assumes the transfer of some SPT powers, and therefore staff, to the new Transport Agency. SPT currently has 11 staff directly concerned with rail franchise management and development.

However, this team relies on extensive support services (policy, finance, legal etc) to ensure delivery. It is unclear whether the transitional cost allowance assumes only the transfer of these 11 staff or includes all other relevant support staff and costs. There is insufficient information to support a transitional cost calculation of £1m.

16 The Memorandum states clearly at paragraph 135 that the Scottish Executive will fund an additional £1m to cover the costs of establishing RTPs for the first year only. Thereafter this £1m will fall on council funding. SPT believes that the assumption that the unitary authorities will fund an additional £1m is unjustified and indeed experience suggests the naivety of such an assumption. Without additional funding through the local government settlement, this extra cost is more likely to result in a diversion of resources from front-line transport services.

17 Paragraph 136 states that £100,000 has been assumed for the costs of RTP members’ expenses. This provision is wholly inadequate and takes no account of the staffing resource or facilities that will be required to manage and service RTP meetings. SPTA currently operates within an eight-week cycle with 34 members, and these processes create a total cost base of nearly £300,000 per annum, of which only £40,000 is attributable to member’s expenses and allowances – the only significant cost driver which is directly related to the number of authority members. To replicate this four times to cover the whole of Scotland will inevitably cost more than £100,000 and again will create an additional burden on local government which will result in the diversion of resources away from transport delivery.

18 The assumption that RTPs could achieve significant savings by utilising constituent authority support services (paragraph 144) is questionable. RTPs will be separate legal bodies and therefore will require adequate support services to ensure proper functioning and delivery. It is therefore rash to assume that there is sufficient capacity within existing local authority structures to absorb an additional workload arising from new statutory regional functions at no net cost to the public purse.

19 Finally, it is SPT’s understanding that the Financial Memorandum requires to be prepared on a contingency basis. Section 43 of the Bill proposes amendments to the terms of the Transport (Scotland) Act 2001 which would have the effect of enabling councils within the SPT area to exercise certain bus-related functions which are presently only available to itself. SPT considers this proposal to be contrary both to the general intent of the Bill and the Best Value test set out in paragraph 3.6 of the White Paper.

20 Since such functions are not within the current responsibilities of council roads departments within the SPT area (with the exception of Argyll & Bute, which exercises public transport functions on its own behalf over most of its area) and involve specific competences which will not form part of the existing duties of councils’ departmental staff, the minimum requirement for the discharge of this additional responsibility would be at least one extra qualified member of staff for each of the 11 councils apart from Argyll & Bute. Using the same basis of calculation as paragraph 135 of the Financial Memorandum would suggest a
continuing additional cost on local authorities in the SPT area of at least £440,000 per annum. This cost arising from Section 43 of the Bill does not appear to have been identified in the Financial Memorandum.

Appendix A

Increased SPT expenditure in 2004/2005 in part due to free bus concessionery travel – otherwise expenditure would be static year on year
Appendix B

Revenue Expenditure Trends across PTEs

Capital Expenditure Comparisons by PTEs
Finance Committee
30th Meeting 2004 – Tuesday 23 November 2004

Transport (Scotland) Bill - Financial Memorandum
Written Submissions

1. In advance of its consideration of the Financial Memorandum associated with the Transport (Scotland) Bill, the Finance Committee has received further submissions from the following bodies:

   Susiephone Ltd
   Lothian Buses plc

2. The Committee is invited to consider these submissions.

Terry Shevlin
November 2004

SUSIEPHONE LTD - RESPONSE TO FINANCE COMMITTEE FOR TRANSPORT (SCOTLAND) BILL

Robert Scotson Susiephone Contract and Liaison Manager (On behalf of the Susiephone Board)

Consultation
Susiephone Ltd does not consider that as a body, it has been given adequate opportunity for consultation on this issue. The company has not been approached formally and the company board have not had an opportunity to consider and agree a response. Previously Susiephone Ltd responded through its indirect awareness of the subject via RAUCS. As the financial assumptions of the Bill were not known at the time, no comment was possible.

Costs
On behalf of the user community and to meet its obligations as Keeper of the Register, Susiephone Ltd has contracts and services in place for the provision of the SRWR, direct employee costs and supporting professional services such as Legal, Accounting and Training/Technical support relating to the development of the operation and use of the SRWR. These are all financial commitments which could potentially have extra costs if contracts were stopped early or services cancelled. The implications of these are unclear at this stage however and the company has no extra resources to cover any such additional costs. Any claim for such costs would need to be met by the Scottish Executive.

The SRWR is already established and operating, but additional capacity may be required to reflect the needs of the Regional Transport Partnerships
(RTPs), and the Commissioner, and the office of the Commissioner. It is not possible at this stage to size or assess the financial implications of this requirement, as the role of the RTPs will be decided by the members of each RTP. The role of the Commissioner and the office of the Commissioner have yet to be specified.

Costs may arise due to the Bill’s requirement that ‘all’ must enter notification of works on the SRWR in the prescribed manner. Once identified by the Commissioner, the prescribed manner could give rise to the need for additional funding. This funding is currently obtained from the participants in a co-operative process, but it has yet to be ascertained how funding, if any, will be obtained from all who are required to enter notification of works in the prescribed manner and also the method to determine the sharing of costs.

**Wider Issues**

Subsequent Codes of Practice would likely result in additional costs for the SRWR, although minor changes are typically processed under the terms of our existing Service Agreement with our Application Service Provider (Moleseye).

The duty to enter on SRWR brings the need for training on how to use the system. Those requesting the training currently meet the cost of this. The Scottish Executive has assigned £100,000 for regional seminars to communicate changes. This should be seen as quite different from hands on system training, which would be required and may give rise to additional costs. This cost is difficult to size, as the scale and impact of the changes are not yet defined.

The role of a Scottish Road Works Commissioner in relation to Susiephone Ltd is very unclear and the Susiephone Board would seek further advice on the likely role and responsibilities of this post to allow the Board the opportunity to provide a considered response to the proposals as outlined and to anticipated additional costs.
RESPONSE FROM LOTHIAN BUSES PLC

Consultation
1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made? Yes, Lothian Buses submitted written evidence and also appeared before the Local Government & Transport Committee. Our comments on any financial assumptions were restricted to any impact arising from a National Concessionary Fares Scheme for Scotland.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum? Yes

3. Did you have sufficient time to contribute to the consultation exercise? Yes

Costs
4. If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details. We do not believe the bill has any financial implications for our organisation. We do note however, that other operators may benefit as a result of simplified administration should Scottish Ministers take over the management of concessionary travel from local authorities and agree with this assessment.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met? Not applicable – see 4 above.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise? Not applicable – see 4 above.

Wider Issues
7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum? Unable to comment.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs? Unable to comment or quantify.
SUBMISSION FROM SCOTTISH WATER

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Scottish Water has participated in the previous consultations on the ‘Regulation of Utility Company Roadworks’ in January 2004 and ‘Reducing Disruption from Utilities Roadworks’ in February 2002.

Scottish Water identified areas of financial concern during these consultations. However it was difficult to provide any meaningful detailed budgetary costs that would impact on the Scottish Water business at the consultation stage.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Scottish Water identified areas of financial concern and these are reflected in the consultation but believes that, as referred to in the answer to Question 1, the opportunity to comment in detail was not available.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes.

Costs

4. If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

The only costs to Scottish Water that have been reflected relate to the additional training that will be required. Other costs have been indicated, but these should be viewed as definitive.

In addition to this Scottish Water believes that additional resources would be required to manage the proposed changes to the current legislation. Until further guidance is made available it is not possible to calculate an accurate cost.

Furthermore Scottish Water’s investment programme, Quality & Standards III (Q&SIII), which covers the period 2006 until 2014, has made no allowance at this stage of planning for the impact that the Transport (Scotland) Bill will have on Scottish Water business.

Scottish Water is therefore concerned that funding is not currently available or planned for the additional financial costs associated with the Bill and compliance with the additional regulations.
5. **Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?**

As stated in the answer to Question 4, Scottish Water is not currently funded for the additional financial costs associated with the Bill. The Water Industry Commissioner’s Strategic Review of Charges for the period 2006-2010 is currently underway, of which Q&SIII feeds into, and currently we are not aware that he is making any provision within that regulatory settlement for the costs and duties highlighted within this bill.

Scottish Water has further concerns that financing some of the additional costs associated with the Bill will only be possible by passing those costs, which are not directly related to quality and efficiency, directly onto Scottish Water customers. As such these issues will be required to be discussed with urgency with Scottish Water’s regulator, the Water Industry Commissioner (WIC).

The Water Industry Commissioner is due to make his draft determination on the funding required for Scottish Water and the costs to customers in June 2005.

6. **Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?**

Scottish Water believes the Financial Memorandum is unclear as to when these costs may impact and as previously indicated projecting accurate costs at this stage is not a practicable option due to the need for further guidance.

**Wider Issues**

7. **If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?**

Please refer to the answer provided to Question 6, above.

8. **Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?**

Scottish Water believes that there may be future costs associated with the Bill as more guidance becomes available. Scottish Water believes that it is only when the subordinate legislation has been developed that a more detailed costing of the impact on Scottish Water can be produced.
SUBMISSION FROM WESTRANS

Background
WESTRANS is a local authority Joint Committee whose membership comprises the following councils:

- Argyll and Bute;
- West Dunbartonshire;
- East Dunbartonshire;
- North Lanarkshire;
- South Lanarkshire;
- Glasgow;
- East Renfrewshire;
- Renfrewshire;
- Inverclyde;
- North Ayrshire;
- East Ayrshire;
- South Ayrshire; and
- Dumfries and Galloway.

The Chair of Strathclyde Passenger Transport is a co-opted member of the Joint Committee

The remit of the Joint Committee is:
- to advise the councils on matters of common interest, such as consultation documents relating to transport insofar as they relate to their respective functions, and to co-ordinate submissions and responses on such matters;
- to work with Strathclyde Passenger Transport Authority (SPTA) and other relevant bodies to prepare, recommend and keep under review a Joint Transport Strategy for the WESTRANS area; and
- to recommend and prepare bids for funding for projects which affect more than one council area, and which are not the statutory responsibility of SPTA, to the Scottish Executive’s Public Transport Fund, Integrated Transport Fund, or such other relevant funds as there may be.

WESTRANS is empowered to do anything that is calculated to facilitate, or is conducive or incidental to the discharge of any of the aforesaid functions.

A Core Team of four full-time staff members has been employed by the Joint Committee since early in 2004, and an additional member of staff will join shortly. Renfrewshire Council serves as Lead Authority to the Joint Committee, supplying legal and financial services, and providing the Clerk to the Joint Committee.

The Core Team’s revenue budget for 2004/05 is £300,000, made up of £250,000 for staff, premises and administration; and £50,000 for the preparation and continual review of a Regional Transport Strategy(RTS). The Scottish Executive funds 80% of the £250,000, with the remainder being funded by the constituent authorities (excluding SPT). In 2005/06 the percentage funded by the Executive will reduce to 65%, and in 2006/07 it will reduce to 50%. SPT contributes £25,000 towards the annual RTS costs, with the remaining £25,000 shared by the constituent councils.
Consultation
Between June 2003 and September 2003, Executive officials met with WESTRANS officials several times to discuss the creation of a national transport agency and how best to deliver strategic regional transport projects. The consultation paper “Proposals for a New Approach to Transport in Scotland” was published in September 2003, and the Minister addressed a transport conference in Glasgow in November 2003. WESTRANS responded to the consultation in December 2003, suggesting that Regional Partnerships should be funded by block grant under section 70 of the Transport (Scotland) Act 2001. The White Paper suggests a different method of funding for the new partnership. WESTRANS is satisfied that consultations during the preparation of the Bill were adequate, and sufficient time was given for response.

Costs
Paragraph 135 of the Financial Memorandum gives a commitment by the Executive to fund 5 staff for each of the 5 new regional partnerships, plus 5 extra for SPT’s successor body. Thus the west of Scotland Partnership will be allocated funding for 10 people, and the four other partnerships will receive funding for 5 people each. That equates to 30 people in total, not 25 as stated elsewhere in para. 135. The proposed allocation of £333,333 (one third of £1 million) to the west of Scotland partnership is sufficient to cover the existing annual budget of WESTRANS (£300,000), but not sufficient to cover the additional five “SPT” staff.

It is likely that there will be additional costs to be met during the period of transition. There will inevitably be a degree of rationalisation and consolidation of staffing in the early period of the new partnership and it is likely that an additional £1 million will be required to cover these costs. There will be ongoing costs associated with administering and undertaking the work of the new partnership, and it is essential that this is funded by the Executive at a level that reflects the size of the proposed new West of Scotland Partnership area, which will be responsible for regional transport services for almost half the population of Scotland.

Wider Issues
WESTRANS does not wish to comment on the financial implications of other aspects of the Bill, such as concessionary fares and public utility roadworks, since they are both outwith the remit of WESTRANS. It is uncertain at present whether local authorities will wish to transfer any of their transport powers to the new body. If at some future date, it is agreed to transfer powers, suitable financial arrangements will need to be made.
Transport (Scotland) Bill – Financial Implications

Introduction

The Convention of Scottish Local Authorities (COSLA) welcomes the opportunity to contribute to the Finance Committee’s evidence gathering on the financial implications of the Transport (Scotland) Bill.

We have attempted to restrict comments around the detail of the Financial Memorandum as requested by the Committee.

This written response will be complemented by evidence that will be presented to the Committee, in the absence of COSLA’s Roads and Transportation Spokesperson, Councillor Alison Magee, by Councillor Andrew Burns and COSLA officers, on Tuesday 23 November 2004.

Context and Overview

We note the Scottish Executive’s Departmental Expenditure Limit of £823m for the transport budget in 2004/05. We note also the £441m to Local Government in Grant Aided Expenditure. While overall we welcome the Scottish Executive’s considerable financial commitment to transport, we believe that it is only once the long term national, regional and local strategies are in place that the required funding can be truly identified and prioritised.

Being positive, we see the new Bill as a valuable step forward in the debate on the future planning, delivery and financing of transport services. For the first time, the white paper “Scotland’s Transport Future”, which set the scene for the Bill, brought together all aspects of transport, making explicit the links to economic activity, tourism, land use planning, the environment, health improvement and community planning, and confirming the key role that Local Government has to play at the centre of these. COSLA will be seeking to ensure that these links are not lost as the Bill and accompanying Orders develop over the coming months.

Key to this is a structured approach to identifying funding priorities and COSLA has long argued for a national, integrated, resourced, long-term transport strategy for all Scotland. The commitment to this by the Minister is therefore welcome.

We see the national strategy being developed by the Scottish Executive in conjunction with ourselves, business and other key stakeholders. The sooner that we can begin work on this the better. We believe that the development of a proper national strategy should take place alongside that of consistent regional transport strategies. This will mean links being made to other policy areas and clear priorities being identified and agreed at national, regional and local levels, allowing a truly integrated approach from top to bottom in terms of transport strategy, resourcing and delivery. This also ensures that transport priorities will not be dominated by the larger partnerships or high profile ‘pet’ projects.

COSLA will strive to ensure that the necessary funding is available to deliver at national, regional and local levels.
Despite the overall funding potentially available above, the Committee will be aware that improvements to transport infrastructure do not come cheap. Much of the budget will be taken up funding public transport and the promised national concessionary fares scheme, particularly in the longer term. Also much is already effectively committed to previously announced high profile projects.

A prime example to explain the scale of the problem facing Scotland in terms of transport and how easily the money could be spent is roads maintenance. The work required has been estimated by SCOTS, and confirmed by Audit Scotland, at over £1.5bn over ten years. COSLA made what we considered a reasonable bid during the current Spending Review for funding to begin to address the problem. It should perhaps be stressed that the £60m annual funding through GAE from 2006/07, agreed by the Executive will in fact mean councils only receiving £48m with the remainder having to be made up from council tax. Also, the roads face another year of deterioration. However, we are committed to delivering on improved roads with this money but, given the size of the problem, we must be realistic in what can be achieved and how spend will have to be planned over a long period.

Further, much of the funding available within the overall Transport budget is capital. Substantially increased revenue funding is necessary to maintain and develop existing services.

Turning to the detail of the Financial Memorandum. Again, it is difficult to comment meaningfully when the details of the new arrangements are not known. However the lack of a long term commitment is disappointing.

**Staffing and Administration Costs**

The Bill states that the Scottish Executive will give "some funding to support" the core cost of current transport partnerships and will continue this. We welcome the commitment to start up funding but are disappointed that there is no commitment to fully fund this and only commitment to funding additional staff costs for the first year. The Executive commits to 25 new staff for the five suggested partnership areas but not any funding shortfall.

There is no acknowledgement that the number of partnership areas may change during the Bill's progress. It may be that a change will be justified and more, or less, partnerships formed. If so, we would expect a commitment to find funds accordingly.

The new partnerships are designed to allow better planning and delivery of services. Even if the money made available for year one is enough, local authorities are not being provided with any additional monies and future year's funding will have to be found from existing transport budgets, potentially diverting it away from front line services. This is particularly disappointing given the Executive’s drive for efficient government.

There is also no acknowledgement of potential staff transfer costs or the possible cost to local authorities as senior managers take the opportunity to retire.

We are clear that any additional burden on Local Government must be fully financed by the Scottish Executive.

**Members Expenses**

Again the Scottish Executive provide only a short term commitment to funding travel and subsistence costs. Assumptions are made regarding the number of partnerships and members across Scotland. However, even if numbers were to be limited as suggested there will be considerable travel involved if there were to be fortnightly meetings. As
COSLA has pointed out separately, flights from the islands, for example, are costly and the available funding will not go far.

Should the costs exceed £100,000, then we would expect the Scottish Executive to fund these in full.

In the longer term, again funding will potentially be diverted from council services to fund meetings of the partnership.

**SPT Transitional Costs**

SPT has made its own detailed submission.
Accommodation Start Up

The Financial Memorandum states that the Scottish Executive will fund "additional accommodation charges" for the first year only. Again, no funding is given for future years.

The same argument as referred to with staffing and administration costs above applies. While Local Government accepts that the new partnership arrangements will bring benefits in terms of joining up planning between local and national levels, COSLA did not support the immediate move to statutory partnerships. We wished them to evolve naturally. With that in mind, we believe that the Scottish Executive must fund this added burden on a longer term basis, at least until they are fully established. The impact of the new partnerships will be considerably lessened if there is a perception, and in this case reality, that they are being funded at the expense of existing council services.

Transferring Functions

The Bill also makes reference to the possibility of functions currently undertaken by a local authority transferring to the regional partnership in the longer term. Funding would presumably transfer with the function. COSLA is clear that this must only happen if agreed by all local authorities within a partnership.

Sharing of Costs

The Bill states that the sharing of costs is to be determined by the Transport Partnership. COSLA is clear that decisions on the allocation of costs should only be taken by elected representatives on the Partnership. While we welcome the involvement of outside parties on the Partnerships, they should not be taking decisions on the spending of public money.

If no agreement is reached on the sharing of costs, then the Bill suggests that Ministers will make a decision based on population size. While we hope this situation won't arise, we would argue that such a decision must take account of a number of additional factors, such as commuter levels, transport links etc. We will consider this further in evidence to the Local Government and Transport Committee.

Capital Costs

The Memorandum states that the loan charges of any capital requirements will be met from the income derived from local authorities. This seems to run counter to other messages from the Scottish Executive about limiting local authority spending under the Prudential Regime as borrowing is too high.

It also means that the plans for supported borrowing levels that local authorities have made will need to be revised to meet with the capital spend undertaken by transport partnerships. Again, also, potentially this will mean non-elected members are dictating the level of capital spend a council can undertake. This is not acceptable to COSLA.

Conclusion

For several years, we have argued for subsidiarity of decision making and clear priorities being identified and agreed at national, regional and local levels, allowing a truly integrated approach from top to bottom in terms of transport strategy, resourcing and delivery. The new structure provides that opportunity. But, to be effective, it must be fully funded. We will continue to work with the Scottish Executive to secure that commitment.

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Public Administration Committee’s Inquiry into Civil Service Effectiveness

Issue

1. The Public Administration Select Committee (PASC) at Westminster has launched an inquiry into the Effectiveness of the Civil Service. It is a wide-ranging inquiry looking at whether civil servants have the right skills to deliver public services, and whether wider use of new technology, relocation outside London and more devolution to local bodies will help strengthen the performance of the service. A copy of the PASC’s press notice is attached at Annexe A.

2. Under the Scotland Act (1998), the Civil Service (with some exceptions such as appointments of sheriff clerks and procurators fiscal) is a reserved matter; although Scottish Ministers can appoint members of staff to the Scottish Administration.

3. Although the Civil Service is a reserved issue, there are two areas of the PASC’s inquiry that this Committee may wish to investigate and express a view to the PASC.

4. One of the main questions asked by the Inquiry is: “Despite five years of devolution, the Assembly Government in Wales and the Scottish Executive are both still served by members of the unified UK Civil Service. Is this appropriate?.”

5. The Finance Committee’s remit essentially is to scrutinise any proposals for public spending from the Scottish budget and therefore, as a devolved Civil Service may have some financial impact on the Scottish Budget, it is an area which the Committee could legitimately consider.

6. The PASC will also be examining the relocation of public sector jobs as a result of the Lyons review and the Committee may wish to raise issues which it discussed in its own inquiry, particularly the issue of transferability between public bodies and the Civil Service.

7. As the Committee will continue to consider the issue of Efficient Government, then this work (focussing as it would on the structure of the Civil Service in Scotland), could possibly feed into its deliberations on Efficient Government.

Approach

8. The PASC is currently seeking written evidence (the closing date is 17 December 2004) with a view to taking oral evidence in January and February 2005. The remainder of its timetable could be dependent upon when a UK general election is called.
9. Given the Committee’s current workload, it would be extremely difficult to submit anything to the PASC by its closing date of 17 December 2004. However, having had a discussion with the Clerk to the PASC, if the Committee wished to carry out a short investigation into the issues outlined above, then it would still be possible to submit something to the PASC in the early part of 2005.

10. If the Committee agrees that it wishes to contribute to the PASC’s inquiry, the following approach could be adopted:

11. The Committee has already taken evidence on and expressed a view on the issue of transferability in its inquiry into the Relocation of Public Sector Jobs and therefore it is suggested that no further work would need to be done on this issue.

12. On the issue of a devolved Civil Service, the Committee may wish to take a mixture of written and oral evidence. It could ask the Scottish Executive whether its officials have had any contact with their counterparts in Whitehall over the issues raised by this Inquiry and whether it is intending to seek a formal input into any submission to the PASC’s inquiry. It could also seek evidence from the Civil Service Trade Unions: Public and Commercial Services Union (PCS), Prospect and First Division Association (FDA). Written evidence could be sought immediately.

13. Any oral evidence could be taken at the Committee’s meeting on 11 and 18 January 2005. A short report could then be written on the basis of this evidence and the aim would be to complete that report by mid-February. This could then be submitted to the PASC. It is anticipated that in such a short timescale, the Committee could not be expected to produce a full-scale report highlighting problems and solutions. Instead, the object would be for the Committee to highlight particular areas of concern which it believes the PASC should take into consideration.

14. In addition, SPICe could be asked to produce some statistics and costings on the current Civil Service in Scotland.

Conclusion

15. The Committee is asked to consider the following issues:

- Does it wish to contribute to the PASC’s inquiry?
- If so, does it agree with the approach to evidence taking as outlined above?

Susan Duffy
Clerk to the Committee
Annexe A:

PASC TO SCRUTINISE EFFECTIVENESS OF CIVIL SERVICE

PASC—the House of Commons Public Administration Select Committee—today launches an inquiry into the effectiveness of the Civil Service. The Committee is to ask whether today’s civil servants have the right skills to deliver public services, and whether wider use of new technology, relocation outside London and more devolution to local bodies will help strengthen the performance of the service.

In an “issues and questions” paper published today, the Committee seeks views on Civil Service careers, asking whether “the job for life” should become a thing of the past and whether it should be easier for people from the private sector to join the service. Plans to increase the diversity of the government workforce and proposals to improve the quality of the Service’s management will also come under scrutiny.

Commenting today, Committee Chairman Dr Tony Wright MP said:

“There is much talk about the quality of public services, but too little attention has been paid to the quality of the people who manage and help deliver them. While parties apparently compete to take the axe to civil service numbers, and major reviews such as those of Gershon and Lyons lead to plans for radical restructuring, it is easy to forget the basic need for civil servants to have the right skills and be led in the right way.

“This new inquiry fits well with the rest of PASC’s scrutiny programme. We have already examined targets and started a look at the place of choice in public services. Now we want to turn the spotlight on the skills and organisation of the Civil Service. Our work on a draft Civil Service Bill has prompted an encouraging focus on the need to bolster, with Parliament’s close involvement, the vital Service principles of political neutrality and objectivity. But it is absolutely vital that civil servants have the capacity and support to do the job effectively.

“Government ministers and senior officials constantly stress the need for civil servants to be more flexible in their jobs and to acquire more finely honed specialist skills. We would like to assess whether government plans in this area are well thought-out, and whether there is a danger that such reforms might undermine the long-standing strengths of the Civil Service.”

Please find the Committee’s Issues and Questions paper attached below.

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For further information please telephone Philip Aylett, Clerk of the Committee on 020 7219 3498

Tony Wright may be contacted for press inquiries on 020 7219 5583

Publications and evidence, including uncorrected evidence, is also available on the Internet at
www.parliament.uk/parliamentary_committees/public_administration_select_committee.cfm

For information regarding forthcoming meetings including venues and times please call the House of Commons Committee Information Line on 020 7219 2033 (updated daily).

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Issues and Questions paper:

PUBLIC ADMINISTRATION SELECT COMMITTEE

INQUIRY INTO CIVIL SERVICE EFFECTIVENESS

AN ISSUES AND QUESTIONS PAPER

PASC—the House of Commons Public Administration Select Committee—is inquiring into the effectiveness of the Civil Service. PASC has this year published a draft Civil Service Bill, which seeks to ensure that the Service’s principles of impartiality and neutrality are secured by Parliament. However, it believes that the professional standards of the Service, its skills and capacity to deliver what is required, demand equal attention. Ministers have made many proposals for reform which have been intended to make the Service more effective, and the last five years have seen a succession of Government reports, reviews and policy statements on the issue. This paper seeks views on some of the main questions which have emerged.

RECENT GOVERNMENT POLICY STATEMENTS ON THE CIVIL SERVICE

Sir Richard Wilson’s proposals 1999

The proposals of the then Head of the Home Civil Service, Sir Richard Wilson, for modernising the Civil Service were published in December 1999. The report set out how the Civil Service intended to take forward the commitment in the Modernising Government White Paper to “create a Civil Service for the 21st Century”. Sir Richard said that Permanent Secretaries had committed themselves to action on the basis of six key themes: stronger leadership with a clear sense of purpose; better business planning from top to bottom; sharper performance management; a dramatic improvement in diversity; a Service more open to people and ideas, which brings on talent, and a better deal for staff.

Sir Andrew Turnbull on the future of the Service, 2002

The current Head of the Home Civil Service, Sir Andrew Turnbull, set out his own thoughts on the future for the Service when he took up his post in 2002. He said that “accelerating change in the Civil Service will be my priority over the next three years”. He told civil servants that he wished to take further the changes initiated by Sir Richard, including closer working with Ministers and a major restructuring of the Cabinet Office, “creating teams with clear remits who will work together to support you to deliver your change programmes in departments and agencies” and full exploitation of new technology “so that our customers quickly receive what they want from us”.

Sir Andrew continued that he was placing “a high priority on improving the way we manage and develop people. I would like everyone to continually strive to reach their potential and to have incentives and opportunities to acquire key skills for delivery, such as project management”.
In February 2004, Sir Andrew suggested that greater career mobility and effective partnerships across sectors (along with a smaller and better-focussed centre of government) would help to strengthen the delivery capacity of the Civil Service. He made it clear that this meant that civil servants would have very different careers in the future: “We are talking about a more flexible, but more effective and professional career pattern. No one any more expects a right to a job for life, just because they successfully negotiated an entry process when they were twenty two. What matters is performance in a changing world”.

**The Prime Minister on Civil Service Reform, February 2004**

Also speaking in February 2004, the Prime Minister outlined his view of future shape of the Civil Service and the wider public services. He laid particular stress on the importance of providing services that people need and expect:

“Consumer expectations of Government services as well as others are rising remorselessly. People no longer take what is given them and are grateful. They want services that are responsive to their needs and wishes. Long gone are rigid demarcations between public, private and voluntary sectors, at least in the public’s mind. They are happy to see and often require partnership between the three. They see the revolutionary effect of IT and want it applied across the public sector too. And above all else, the majority today are taxpayers. Government money is their money. They expect a return.

Mr Blair set out the special challenges that, he believed, were faced by the Civil Service:

“The principal challenge is to shift focus from policy advice to delivery. Delivery means outcomes. It means project management. It means adapting to new situations and altering rules and practice accordingly. It means working not in traditional departmental silos. It means working naturally with partners outside of Government. It’s not that many individual civil servants aren’t capable of this. It is that doing it requires a change of operation and of culture that goes to the core of the Civil Service”.

He then listed seven practical “keys to transformation of the Civil Service”:

· a smaller, strategic centre;

· a Civil Service with professional and specialist skills;

· a Civil Service open to the public, private and voluntary sector and encouraging interchange among them;

· more rapid promotion within the Civil Service and an end to tenure for senior posts;

· a Civil Service equipped to lead, with proven leadership in management and project delivery;

· a more strategic and innovative approach to policy;
government organised around problems, not problems around Government”.

The Gershon Review of Public Sector Efficiency

The Government Review of Public Sector Efficiency, conducted in 2003 and 2004 by Sir Peter Gershon, centred on the objective of “releasing major resources out of activities which can be undertaken more efficiently into front line services that meet the public’s highest priorities”. The report, “Releasing resources to the front line”, published in July 2004, set out “auditable and transparent efficiency gains of over £20 billion in 2007–08 across the public sector” which have been “identified and agreed”. According to Sir Peter, over sixty percent of the savings are “directly cash releasing”. The Gershon proposals would also “result in a gross reduction of over 84,000 posts in the Civil Service and military personnel in administrative and support roles”.

Relocation: the Lyons Review

The Independent Review of Public Sector Relocation, led by Sir Michael Lyons, produced its report in March 2004. It concluded that “the pattern of government needs to be reshaped” and that “national public sector activity is concentrated around London to an extent that is inconsistent with Government objectives”.

Sir Michael called on departments to move quickly to implement their relocation plans, and for there to be a strongly enforced presumption against London and the South East for new activities and many other functions. London headquarters should be radically slimmed down and there should be improved coordination between departments in relocating activities. During the review process, some 20,000 jobs were identified as capable of being moved out of London and the South East. Sir Michael summed up his recommendations by saying that “I believe that a new pattern of government service will contribute significantly to Government’s policies for the reform of public services, improving regional growth, national competitiveness and devolution. Government needs to take firm action to recast the pattern of its business in a way that better meets the needs of the nation in the new century”.

Diversity

One of the Government’s stated aims is to increase the diversity of the Civil Service. This is partly to ensure that it properly reflects society, in order to deliver services that meet the needs of the whole population. Sir Andrew Turnbull expanded on this when he announced the appointment of Waqar Azmi as the key diversity adviser to the Civil service in August 2004:

“Increasing diversity across the Civil Service is crucial to us. An open and diverse Civil Service enables us to achieve excellence in policy development and service delivery. Waqar Azmi’s appointment will enhance our efforts to create a Civil Service that is truly representative of the society we serve, including at the senior levels”.

HOW TO RESPOND TO THIS PAPER

PASC would like to receive responses to any or all of the questions in this paper. Although some of the questions could theoretically be answered by a simple yes or no, the Committee would especially value extended memoranda with background evidence where appropriate. Some respondents may wish to concentrate on those issues in which they have a special interest, rather than necessarily answering all the questions.

Memoranda will usually be treated as evidence to the Committee and may be published as part of a final Report. Memoranda submitted to the Committee should be kept confidential unless and until published by the Committee. If you object to your memorandum being made public in a volume of evidence and on the internet, please make this clear when it is submitted.

Memoranda should be submitted by 17 December 2004 as hard copy on A4 paper, but please send an electronic version also, by email to pubadmincom@parliament.uk, or on computer disk in Rich Text Format, ASCII, WordPerfect 8 or Word. Hard copies should be sent to Philip Aylett, Clerk, Public Administration Select Committee, Committee Office, First Floor, Committee Office, 7 Millbank, London SW1P 3JA.

The Committee is holding oral evidence sessions in the autumn and winter of 2004–05.

THE MAIN QUESTIONS

The Role and Function of the Civil Service

The Committee seeks views on the future role and function of the Civil Service, and on the relationship between the Service and other parts of the public sector.

1. What are the most important current functions of the Civil Service?

2. Should any of these functions be altered or removed, and if so, what should be the main Civil Service roles in future?

3. What should be the relationship between the Civil Service and other public services?

4. Would it be appropriate to have just one public service, comprising the Civil Service and staff of local government, the NHS and other bodies responsible for service delivery?

5. Would the establishment of a single public service help to eliminate some of the strains in the relationship between central and local government?

6. Despite five years of devolution, the Assembly Government in Wales and the Scottish Executive are both still served by members of the unified UK Civil Service. Is this appropriate?
Civil Service Skills

The Committee is examining whether civil servants possess the skills they require to serve Ministers and the public.

7. Does the Civil Service have the right skills to help governments deliver public services?

8. How does the performance of the Civil Service compare with that of its equivalents in other countries? Who or what is mainly to blame for the recent problems in government IT, procurement and project management?

Civil Service careers: the end of a ‘job for life’?

The Government has proposed major changes to the pattern of Civil Service careers, with less job security and greater encouragement to move between different parts of the public sector and between the private and public sectors. The rules concerning the employment of former civil servants, which have an impact on such moves, are currently under review by Sir Patrick Brown, former Permanent Secretary at the Department of Transport. There have been suggestions that such rules act as a deterrent to interchange between the sectors, thus depriving the Civil Service of some of the skills it needs.

9. Many civil servants enter the Service in their teens or early twenties and expect to stay until they retire at 60. What are the advantages and disadvantages of giving civil servants such tenure?

10. Will the idea of ‘career anchors’, allowing civil servants greater movement between private, voluntary and public sectors during their careers, be effective in enhancing skills? What effect might such a policy have on the structure and culture of the Civil Service?

11. Are the current rules regulating the business activities of civil servants too restrictive? Is there concrete evidence that the rules are deterring highly able people from joining the Service?

Politics and the Civil Service

There has been considerable debate about the alleged politicisation of the Civil Service. At the moment almost all civil servants are required to be politically neutral and prepared to serve governments of any persuasion. It has recently been suggested (by Ed Straw in a Demos pamphlet) that Ministers should be allowed to appoint senior officials. The Committee seeks views on these issues.

12. Is there a danger that the Civil Service would be politicised if its structure and culture were to be radically altered?

13. Should Ministers have the opportunity of appointing a significant number of senior civil servants in their departments?
The Civil Service as an employer

The Committee would like to hear views on whether the Civil Service is good at managing and developing its staff. This includes issues such as the quality of management and the effectiveness of training.

14. Does the Civil Service manage its staff effectively?

15. Could the Civil Service do more to attract talented people to work for it?

16. What are the strengths and weaknesses of Civil Service training and development? How might it be improved?

17. Will the recent introduction of Personal Improvement Plans for Senior Civil Servants who are placed in the bottom 20 percent of performers help to address the problem of poor performance?

The Gershon and Lyons Reviews

18. Are the ‘Gershon’ Review recommendations for strengthening the “frontline” and reducing staff likely to improve services? What are their possible disadvantages?

19. Do you agree with Sir Michael Lyons that reform of the public services will be furthered by relocating civil service posts out of London and the south east? What might be the disadvantages?

20. What is your view of Sir Michael’s statement that a new pattern of government services, as proposed in his report, will improve regional growth and national competitiveness?

Diversity

21. The Civil Service is gradually becoming more diverse. Is the pace of change in diversity fast enough, and are the right measures in place to achieve improvements?

22. How can the Service ensure that its greater diversity really leads to more effective public services?

Public Administration Select Committee

October 2004