FINANCE COMMITTEE

AGENDA

3rd Meeting, 2005 (Session 2)

Tuesday 25 January 2005

The Committee will meet at 10.00 am in Committee Room 2 to consider the following agenda items:

1. **Item in private:** The Committee will decide whether to take item 5 in private and whether to consider its draft report on the Financial Memorandum of the Charities and Trustee Investment (Scotland) Bill in private at its next meeting.

2. **Public Administration Select Committee's Inquiry into Civil Service Effectiveness:** The Committee will take evidence as part of its input into the Public Administration Select Committee’s inquiry into Civil Service Effectiveness from—

   John Elvidge, Permanent Secretary, and Sally Carruthers, Director of Change and Corporate Services, Scottish Executive

3. **Work Programme:** The Committee will consider its work programme up to Summer 2005.

4. **Scrutiny of Financial Memoranda:** The Committee will consider a paper by the Clerk on the implications of the Procedures Committee 7th Report 2004 ‘Timescales and Stages of Bills’.

5. **Charities and Trustee Investment (Scotland) Bill:** The Committee will consider issues for its draft report.

   Susan Duffy
   Clerk to the Committee
The papers for this meeting are:

**Agenda Item 2**

Submission from John Elvidge, Permanent Secretary  
Paper by SPICe  
PRIVATE PAPER

**Agenda Item 3**

Paper by the Clerk

**Agenda Item 4**

*Procedures Committee 7th Report 2004 ‘Timescales and Stages of Bills’*

Paper by the Clerk
Finance Committee

3rd Meeting 2005 - Tuesday 25 January 2005

Public Administration Select Committee’s Inquiry into Civil Service Effectiveness

SUBMISSION FROM JOHN ELVIDGE, PERMANENT SECRETARY, SCOTTISH EXECUTIVE, DATED 19 JANUARY 2005

I enclose the written submission which you requested. I hope that it makes sufficiently clear for the purpose of informing discussion the distinctions between modernising government and civil service reform. In essence, the Executive is fully involved alongside the rest of the public sector as a participant in modernising government activity (as it is in activity within Scottish Ministers’ programmes for delivering better public services through Best Value and Efficient Government) while also pursuing organisational and cultural change objectives which are specific to the civil service, either at a UK wide or Scottish Executive level. In relation to civil service reform, I have sought to distinguish those aspects of civil service management which are reserved in a practical sense from the much broader range of aspects which are effectively devolved.

1. This paper is intended to assist the Committee in relation to the request which it has made to take evidence from me, in the context of your intention to contribute to the Public Administration Select Committee’s Inquiry into Civil Service Effectiveness.

2. The Scottish Executive has considerable autonomy within a broad framework of values and systems covering the UK civil service as a whole. This autonomy is formally vested in the First Minister in accordance with the Civil Service (Management Functions) Act 1992 as extended by section 51(4) of the Scotland Act 1998. This enables me and my senior colleagues, working with the First Minister and his Ministerial colleagues, to shape a distinctive civil service culture and set of behaviours which match the ethos of devolution. Broadly speaking, the Scottish Executive determines its own arrangements for the recruitment, reward, deployment, performance management and promotion of staff and, within the Executive, some of the larger Executive Agencies have their own arrangements for these matters. (I enclose for information an Annex which provides details of the bodies within the Scottish Administration.)

3. Examples of the use of this autonomy are:

i. a grading structure below the Senior Civil Service (and therefore applying to more than 95% of the Executive’s staff) which is designed in relation to the needs of the core organisation, with separate grading structures in some of the larger Executive Agencies which reflect the specialised requirements of their business areas;

ii. promotion arrangements within that grading structure which have been streamlined since 1999 to enable the organisation to respond more rapidly to the demands on the organisation generated by devolution;
iii. a pay system below the Senior Civil Service designed and introduced since devolution to give effect to Scottish Ministers' commitment to tackling low pay at the most junior levels and more generally to enable the Executive to recruit and retain staff in the context of the Scottish labour market;

iv. recruitment at all levels of the civil service separately operated by the Executive. For example, the practice adopted by the Scottish Executive since 1999 of undertaking generic external recruitment to the Senior Civil Service, as well as increased use of job specific external recruitment. As a result of this approach, which has not been widely adopted by other parts of the Civil Service, 48% of new appointees to the Senior Civil Service in the Scottish Executive since 1999 have been from external sources. In addition, this approach has also had the result that most of those who have been internal appointments have faced wider competition, that has served to confirm their suitability.

v. development of the pay regime for the Senior Civil Service, which is wholly performance related, to reflect Scottish Ministers' delivery priorities and the other performance priorities derived from the Executive's Changing to Deliver programme.

4. The broad framework within which this autonomy is exercised, and which derives partly from membership of the UK civil service, can be divided into 3 categories: common principles or controls; common arrangements or systems; and common external factors.

5. The common principles are those of appointment on merit through fair and open means, political impartiality, integrity and honesty. These are externally monitored for the Civil Service as a whole by the independent Civil Service Commission. The Commissioners audit recruitment practices; for example, to ensure that they comply with the principles of appointment on merit through fair and open means, as elaborated in the Civil Service Commissioners' Recruitment Code. They participate directly in recruitment and promotion competitions at more senior levels. (The role of the Commission is linked to the existence of a set of common principles rather than to membership of the UK Civil Service; they fulfil the same functions in relation to the separate Northern Ireland Civil Service.)

6. In this capacity, the First Civil Service Commissioner consults directly with the First Minister in relation to the appointment of the Permanent Secretary, in order to be sure that the recruitment process criteria reflect his view of the needs of the Executive. In relation to other senior appointments in which the Commissioners participate directly, they ensure that they understand the needs of the Executive and priorities of Scottish Ministers, normally through discussion with the Permanent Secretary.

7. The dominant Ministerial role in appointment of the Permanent Secretary rests with the First Minister. He works with the First Civil Service Commissioner to establish the specific criteria for selection. Within a set of common rules for all senior appointments established by the Civil Service Commissioners, he has the right in advance of the consideration of any individual candidates to make clear if he considers that there is an insuperable obstacle to the appointment of any individual and his agreement is required to the appointment of the candidate recommended by the selection panel, which is chaired by the First Civil Service Commissioner. At the
conclusion of the process, there is a role for the Prime Minister, as the Minister within the UK Government with responsibility for the Civil Service, in approving the appointment of the candidate whom the First Minister has agreed.

8. The common principles are elaborated, in their application to behaviours, in the Civil Service Code. For example, one of the ways in which the principle of integrity is interpreted in the Civil Service Code is to create a prohibition on the use of any information gained as a result of a civil servant’s official position to achieve any form of financial gain for him/herself or his/her family members. Action to ensure understanding and compliance with the Code is a matter for the Scottish Executive.

9. The main current common arrangements or systems are:

a shared set of pension options, including two alternative pension schemes run for the Civil Service as a whole, and a shared set of compensation arrangements in relation to redundancy and early retirement;

a broad pay framework for the Senior Civil Service, based on the independent recommendations of the Senior Salaries Review Body (which also makes recommendations in respect of the senior ranks of the armed forces and the judiciary throughout the United Kingdom). This framework essentially sets the minimum and maximum levels of very broad pay ranges for each Pay Band within the Senior civil service, of which there are 3 below Permanent Secretary (with an optional subdivision of the lowest Band, which individual employers can choose whether or not to use depending on the business needs of the organisation). It also provides for arrangements to differentiate consolidated pay increases from one off bonuses and the broad distribution between those two categories of the annual resources available for pay additions.

eligibility rules for employment of non-UK nationals, excluding them from posts where special allegiance to the state is required. Many posts are not in the reserved category and are therefore open to a range of Commonwealth and British overseas citizens and EEA nationals of other States;

agreements, for one employer within the Civil Service, to open some appointments to the staff of other employers within the Civil Service and to absorb, where possible and in line with the business needs of the receiving employer, suitably qualified staff whom another employer within the Civil Service would otherwise be forced to make compulsorily redundant;

a secure intranet system which allows the exchange by e-mail of security classified documents within parts of the UK Government and between the UK Government and the Scottish Executive and Welsh Assembly Government.

10. The main common external factors are:

employment law;

health and safety legislation;
the Official Secrets Act; and

recognition of and agreement with a core of trade unions which represent some staff within the workforce of almost every employer within the Civil Service and which have an interest in seeking to avoid differences in terms of employment which would be less advantageous for the staff of a particular employer.

11. Changes to those aspects of the common arrangements or systems which are not independently regulated and to programmes of agreed best practice are generally considered and approved by the Civil Service Management Board, of which I and all other Permanent Secretaries are members. In the more substantial cases, as with the current proposed changes to the pension schemes, there is a process of Ministerial approval, in which Scottish Ministers are involved.

12. The rationale for common arrangements and systems is that they contribute to either economy or efficiency. As Finance Committee’s remit is specifically to consider cost implications, it may be helpful to highlight the point that access to some of these common systems, and the expertise necessary to design and maintain them, is free of charge to the Executive; and therefore a source of financial saving compared to separate provision. However, in referring to the case for retaining a UK civil service, the First Minister has focused not on financial arguments but on the contribution to effectiveness derived from access to a broad pool of talent and work opportunities. Alongside interchange with the wider public sector and the private sector, he has identified this as an important means of securing talent and development to strengthen the capacity of the staff serving the Executive.

13. It may be useful to conclude this section by making clear that no member of staff within the Scottish Executive, its Executive Agencies or the associated Departments is managed from outside Scotland under the present arrangements. They are all ultimately accountable to the Permanent Secretary. The Permanent Secretary is accountable only to the First Minister for the delivery of business, not to the Head of the Home Civil Service. Similarly, the Permanent Secretary is accountable, as Principal Accountable Officer, to the Parliament for the overall financial performance of the Executive, as are the various sub-Accountable Officers in respect of specific areas of financial activity. The Permanent Secretary is accountable to the Head of the Home Civil Service solely for his or her performance in relation to the overall management of the staff of the Executive.

Transferability

14. As indicated at point iv in paragraph 9 above, the Executive and its Agencies can transfer staff to or from UK Government Departments, other Devolved Administrations or other Civil Service Agencies to promote career development or on compassionate grounds, or to fill particular vacancies. In its Report on the Relocation of Public Sector Jobs (June 2004), the Committee noted the separate position of staff within NDPBs. This separate position arises from the principle of appointment on merit through fair and open competition, as regulated by the Civil Service Commission.

Modernising Government
15. The UK Government published its Modernising Government White Paper and action plan in 1999. The concordat between the Executive and the UK Cabinet Office, published in November 1999, affirmed the commitment to working together on Modernising Government. The Modernising Government agenda aims to improve delivery across public services. It is essentially concerned with business processes; and applies to the public sector as a whole, including the civil service. In Scotland, it has been taken forward principally through the Executive’s 21st Century Government programme. Key elements of this programme include:

the Scottish Executive Quality Network, bringing together people from across the public sector in Scotland to identify best practice, share ideas and to work together to drive up public service standards;

electronic service delivery, ensuring that all public services which can be delivered electronically are online by 2005;

the Digital Inclusion programme, improving skills and access amongst the public to information and communications technology; and

the Modernising Government Fund, supporting the innovative provision of improved public services, focusing on citizens needs (between 2000 and 2004 the Fund has supported over 40 innovative projects and services across the public sector in Scotland with over £65 million).

Changing to Deliver

16. The Changing to Deliver programme is specific to the Scottish Executive, although it overlaps considerably with the common Civil Service Reform agenda being pursued by the UK Government and Scottish Ministers. It is mainly, but not exclusively a cultural change programme. It is concerned most directly with the core Executive, although it is relevant to varying degrees to Executive Agencies of the Executive and the Associated Departments.

17. The programme was designed in late 2002, on the basis of feedback from Ministers, external stakeholders and staff, and making use of a framework of analysis developed and supported financially by the Office of Public Sector Reform within the UK Government. Implementation began at the beginning of 2003 around priorities for action: leadership; outcomes; outward focus; and corporate processes. The programme has a planned initial duration of two years, in order to reach a point at which the drive for continuous improvement could be developed into a revised form. As the programme has progressed, action on the leadership priority has been developed in a way which subsumes the key elements of the Improving Leadership Capacity programme developed for wider use by the Civil Service Management Board; and action on the outcomes priority is currently being developed further to subsume the key elements of the Improving Professional Capacity programme developed for wider use by the Civil Service Management Board.

18. Assessment of progress with implementation the Changing to Deliver programme is complex. It is easy to list activities but inherently more difficult to
assess their impact. The committee may find it helpful to have the following indicators of progress:

Leadership – the most recent version of our annual staff survey included new questions on staff’s experience of leadership by the Senior Civil Service. The responses to those questions were benchmarked by ORC International against responses to similar questions in the staff surveys of UK Government Departments and other public sector organisations. The benchmarking shows that the positive rating of leadership in the Scottish Executive (50%) is almost twice as high as in the benchmark group. This is corroborated by other evidence from the survey of high and continuously improving levels of staff commitment and morale.

Outcomes – the natural test of performance in delivery of outcomes is the Executive’s success in supporting Scottish Ministers in their delivery of their Partnership Agreement commitments and other targets. The Executive monitors a very wide range of delivery targets across every aspect of our responsibilities, within a framework of accountability for performance which extends from corporate level to individual members of staff. We report regularly to Parliament on performance against many of our targets and publish performance information in various ways. This paper is not the place to seek to summarise that very substantial body of performance information, much of which is directed at the Finance Committee in the context of the Committee’s role in holding the Executive to account for the use of financial resources.

As indicated above, one element of the activity to improve focus on delivery of outcomes relates to professionalisation within key areas of the Executive’s work. A substantial proportion of the Executive’s staff hold [or are working towards] a professional qualification relevant to their work. Since 2003, our focus, in terms of increasing this figure, has been on the human resources, finance and procurement functions. (This takes account of the high level of specialist expertise which already exists in our IT Function). In addition, we are now creating a clearer structure of professionalism covering all staff, including those involved in policy development and operational delivery, and developing an appropriate framework of identification and recognition of the relevant professional skills.

Outward focus – we undertook in 2004 our first systematic survey of stakeholder opinion about the Executive, involving 824 respondents. The results of the survey have been published on the Executive’s website (http://www.scotland.gov.uk/library5/government/ocrb1-00.asp). Overall, over 70% of stakeholders were satisfied with their dealings with the Executive in the previous year and two thirds of stakeholders considered that the Executive’s approach to working with other organisations has got better since devolution. The survey included a ranking by stakeholders of the aspects of the Executive’s performance which they considered most important. There was an encouraging correlation of those aspects ranked highest by stakeholders and their assessment of the most positive aspects of the Executive’s performance. The Executive was assessed by stakeholders as performing particularly well on:

being committed to achieving its objectives;
listening to others;
being focused on delivery;
understanding external partners;
having staff who treat those partners with courtesy and respect;
having staff who are easy to contact; and
having staff who provide accurate and reliable information.

Another useful indicator of outward focus, through closer working relationships with other organisations, is the level of outward and inward secondments. This was over 340 in 2003-04, which is almost four times greater than in 1998-99.

Corporate processes – the Executive’s main outward focusing financial system, the Scottish Executive Accounting System, had been introduced shortly before the assessment that improved financial systems performance was a priority for the Changing to Deliver programme. Performance in making payments improved from 74% paid within 30 days in the first year of the system’s introduction to 83% in 2003-04 and performance in the most recent month was 94%. The annual staff survey shows improvement in satisfaction ratings with HR systems compared with 2003, continuing an improvement from 2002. IT systems were not identified as a weakness in the 2002 work underpinning the Changing to Deliver programme; and the 2004 staff survey confirms a high and increasing staff satisfaction rating with them).

15. I shall be pleased to elaborate on this necessarily compressed overview of the issues in giving evidence to the Committee.
ANNEX

SCOTTISH EXECUTIVE MAIN (SEM)

Core Departments of the Scottish Executive

- Environment and Rural Affairs
- Enterprise Transport and Lifelong Learning
- Development
- Education
- Justice
- Health
- Office of the Permanent Secretary
- Finance and Central Services
- Legal and Parliamentary Services

Agencies and Non-Ministerial Offices

- Students Awards Agency for Scotland (SAAS)
- Scottish Agricultural Science Agency (SASA)
- Scottish Public Pensions Agency (SPPA)
- Fisheries Research Services (FRS)
- General Register Office for Scotland (GROS)
- National Archives of Scotland (NAS)
- HM Inspectorate of Education (HMIE)
- Communities Scotland
- Office of the Accountant in Bankruptcy
- Office of the Scottish Charity Regulators

Also included as part of SEM

Staff serving elsewhere on assignment, loan or secondment are regarded as part of SEM except where explicit provision has been agreed for other arrangements to apply.

NON SCOTTISH EXECUTIVE MAIN

- Scottish Prison Service (SPS)
- Historic Scotland (HS)
- Scottish Fisheries Protection Agency (SFPA)
- Scottish Court Service (SCS)
- Registers of Scotland (ROS)
- Crown Office and Procurator Fiscal Office (COPFS)
Finance Committee

3rd Meeting 2005 - Tuesday 25 January 2005

Further Briefing on UK and Executive Initiatives on the Civil Service

Purpose
The purpose of this paper is to provide further information on the Executive’s “Changing to Deliver” programme in the context of UK initiatives for improving the delivery of public services. This builds on the information contained in a previous briefing paper (F1/S2/05/14) which was considered at the Committee’s meeting on 11 January 2005.

UK Initiatives
The Cabinet Secretary Sir Andrew Turnbull’s top priority is to deliver better public services. This builds on the Prime Minister’s four principles for public service reform – clear national standards and accountability; devolution to the front line; flexibility and choice (Delivery and Reform background). In a speech last February (Prime Minister’s Speech to Civil Service Reform Event) the Prime Minister listed some of the practical features of civil service reform as:

- 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 the
- 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

In October Sir Andrew Turnbull announced a new programme (Professional Skills for Government) to develop and improve skills in the Civil Service. This recognises three professional categories essential to civil service business:

- policy expert/analyst
- operational delivery
- corporate services

Departments and agencies are looking to define the standards required in each of these areas for the organisation to be effective and all staff will be expected to have the professional expertise needed to do their job: the old labels of generalist will no longer be relevant.

Changing to Deliver
The Scottish Executive has embarked on a major corporate culture change programme with the aim of ensuring that the Executive is fit to deliver the
“Partnership for a Better Scotland”. The Executive website Changing to Deliver gives the following information about the programme.

Changing to Deliver was launched in January 2003 and was designed in response to feedback from Ministers, stakeholders and staff, and to reflect changing customer expectations of public services and the way they are delivered. The Scottish Executive is committed to being an organisation that listens, learns, and is open and in touch.

The framework of the change agenda is:

- Outcomes matter - the importance of delivery from policy to citizen
- Outward focus - working in partnership with stakeholders and designing policies and services around customer needs
- Strong corporate systems and processes

Corporate activity is supported and reinforced by significant improvement activity within departments, much of which is focused on improving relationships with stakeholders and delivery partners and on the efficient delivery of public services.

The results of the stakeholder and staff surveys are available at Scottish Executive Stakeholder Survey 2004 and Scottish Executive Staff Survey 2004 Findings.

The main findings of the stakeholder survey are

The majority (72%) are satisfied with their dealings with the SE in the previous year and over 40% would speak highly of the SE. Two thirds feel the Executive's approach to working with other organisations has got much better since devolution. Looking at stakeholders' experiences of working with an Executive department, the SE is performing well on:

- being committed to achieving its objectives
- listening to others
- being focused on delivery
- understanding stakeholder organisations

Encouragingly, the SE departments were perceived to be performing well on virtually all the 'critical success factors' measuring SE performance on the process of stakeholder engagement. Areas of particular strength were:

- having staff who treat stakeholders with courtesy and respect
- having staff who are easy to contact
- providing accurate and reliable information

However, there are also significant lessons to be drawn from the survey. Across each of the survey measures, there is an important minority of respondents who are dissatisfied with their experience of dealing with the Executive (11%) and 19% state they would speak critically of the SE. There are some stakeholders (15%) who feel that since devolution there has been no change in the Executive's
approach to working with other organisations and 8% feel the approach has got worse.

A lack of joined-up working is of concern to many of the stakeholders and over a third believe the SE is unclear about its priorities. Many stakeholders believe the SE is less good at being innovative and taking risks, limiting staff churn, and informing stakeholders of how its thinking is developing. However, willingness to innovate/take risks and staff churn were rated as the least important of the 'critical success factors'. Looking at the perceived importance and rated performance, some key areas for improvement can be identified:

- understanding what stakeholders are trying to achieve
- understanding constraints facing stakeholders
- involving stakeholders at an early stage in developing policy
- being clear about how much is open to change
- openly sharing information
- keeping stakeholders informed about how thinking is developing
- promoting a consistent approach to dealing with stakeholder organisations

The main findings of the staff survey are

- Since 2000 there has been an increasing perception that the SE 'works with and learns from others' and is 'open and in touch'
- SE staff have high job satisfaction, indeed the majority find their work interesting
- The majority believe their job has developed in a positive way in the past year and they have the knowledge and skills to do it effectively
- Staff are highly satisfied with their relationships with colleagues, clients and to a lesser extent their managers, and generally feel they work well together in their sections
- However, there are also a number of areas for improvement:
  - Many staff do not feel they are kept informed, over half feel that key strategic discussions are not undertaken in a transparent and accessible way
  - Only half believe there is effective leadership from the Senior Civil Service (SCS)
  - Staff are concerned about their career prospects, a third are dissatisfied about the clarity of their future career
  - Around one in five are dissatisfied with the volume of work, working long hours and their work/home life balance and even more do not feel appropriately rewarded for their work
  - Over a third of staff feel the SE is not 'making good use of resources', is not 'valuing its staff' and not 'communicating effectively with the public'

The main achievements claimed for the first year of the programme are

- A major new training and development programme on open, engaged and evidence-based policy-making;
- A balanced scorecard approach to business planning and performance management;
Better and easier-to-access policy consultations, including new improved web pages and a planned e-mail alert system;

A package of initiatives to embed sound financial management across the organisation;

A new HR Strategy for the organisation;

Movement towards a Knowledge Management culture, with improvements in the way information is managed internally;

Publication of a ‘Who’s Who’ chart for external stakeholders;

Improved induction procedures for new Ministers;

Sharing and celebrating ‘good practice’ in working more effectively with Ministers, stakeholders and colleagues;

An Excellence Awards scheme for staff.

A major reduction in information trawls and introduction of good practice guidelines.

A Resource Pack was produced in January 2004 as an aid to staff and to stimulate discussion about change. The Pack includes:

- a checklist for assessing a team’s performance against the key themes
- a policy checklist to ensure the policy making process is customer focused, evidence based, assesses the likely impacts of proposed policies on cross cutting issues and priorities
- a mainstreaming equality checklist
- advice on information management, electronic data management and Freedom of Information
- a trawling for information checklist and
- a business excellence questionnaire

The Resource Pack is updated annually at the start of the business planning round and a revised version is due to be issued early next month.

The “Changing to Deliver” programme was launched as a two year programme of centrally managed activities to kick start the change process, complemented by action at local level within Departments to promote business improvement and improve communications. The centrally managed programme of activity was mainstreamed slightly ahead of schedule in autumn 2004 although improvements to corporate processes (eg the roll-out of the Executive’s HR Strategy) continue under their own governance arrangements. The Executive recognises that major cultural change is a long term and continuing process. According to the Executive (personal communication) the emphasis in “Changing to Deliver” is now on mainstreaming and embedding change and continuous improvement across the organisation at every level; and improving approaches to corporate internal communications. Expectations are constantly rising and this will place an increasing premium on the importance of change and continuous improvement on the part of service providers. The Changing to Deliver agenda is not seen as change for change sake but a response to an assessment of what needs to be done to deliver desired outcomes better.

Jim Dewar
SPiCe
Finance Committee

3rd Meeting 2005 - Tuesday 25 January 2005

Work Programme

Purpose
1. This paper sets out the Committee’s current work commitment and suggests additional work that the Committee may decide to undertake up to the summer recess. It is then suggested that the Committee hold an away day toward the end of August, as last year, to review the Committee’s work over the past year and to identify priorities for the latter part of 2005 and for 2006.

Current commitments

Cross-cutting inquiry into Economic Development
2. The Committee has completed it evidence taking. It is intended that the Committee’s adviser, Peter Wood will produce a short paper focussing on the key issues which have emerged during the evidence taking for Committee discussion on 1 February 2005. It is then anticipated that a draft report can begin to be considered on 1 March. Depending upon the number of meetings at which the report needs to be discussed, the final report could be published at the end of March or beginning of April.

Follow-up on Inquiry into Relocation of Public Sector Jobs
3. The Committee took evidence on the first of the Executive’s six-monthly updates on its relocation policy on 11 January 2005. The Executive has produced a relocation guide. At that meeting, the Deputy Minister for Finance and Public Services stated that the next round of relocation reviews will begin in April and that this will allow time for stakeholders, including the Finance Committee, to suggest improvements to the guidance.

4. The Committee signalled that it would like to submit its comments to the Executive. Therefore, the following approach is suggested:

- A technical briefing will be given to a group of members of the Committee.

- Following this, it suggested that the interested Unions be invited to give evidence to the Committee on the new guide on 22 February. This is on the basis that the Unions gave formal evidence during the Committee’s inquiry and that Executive officials have outlined on-going talks with the Unions at the Scottish Executive on the guide and related issues.

- On 1 March, the Committee would discuss any suggestions for areas of improvement or clarification that it would wish to make to the Guide and finally, a draft response to the Executive could be considered on 15 March.
Public Administration Select Committee Inquiry into Civil Service Effectiveness

5. In addition to assessing what contribution it can make to the PASC inquiry from its forthcoming evidence sessions, the Committee agreed that it may wish to take forward some issues relating to civil service reform under its monitoring of civil service effectiveness. This is dealt with under the “Future Work Programme” section.

Legislation

6. The Committee will take evidence on the Smoking, Health and Social Care (Scotland) Bill on 8 February and 22 February with a view to agreeing a draft report on 8 March.

7. It is anticipated that around 5 Executive bills are likely to be published in February. It is not possible at this time to know the likely costs of each piece of legislation. Therefore, it cannot be predicted whether the Committee is likely to propose Level 1, 2 or 3 scrutiny. If all bills required full (level 3) scrutiny, then this could have a significant impact on the Committee’s work programme and the Committee is asked to bear this in mind.

Budget Bill

8. The final part of the annual Budget process is the Budget (Scotland) Bill which legislates for Executive expenditure for financial year 2005/06. Under Standing Orders, Stage 1 of the Bill is referred immediately to Parliament and the Stage 1 debate is scheduled for 27 January. The Committee is only involved in Stage 2 of the Budget Bill. Recent experience has been that very few or indeed, no amendments have been made at Stage 2 and therefore, it does not take up very much of the Committee’s time.

Budget Seminar

9. The seminar will take place either on Monday 21 March or Tuesday 22 March and therefore, no formal Committee meeting has been scheduled for 22 March.

Future Work Programme

10. As can be seen from the current work commitments, the Committee has quite a few issues to deal with during February and March. Therefore it is suggested the following approaches and potential inquiries be tackled by the Committee in the period April-June.

Efficient Government

11. The Committee has already agreed that it wishes to hold an inquiry into Efficient Government. Given the nature of the issue, it is suggested that it would not be appropriate to undertake a conventional inquiry (written evidence, oral evidence leading to a report). Instead it is suggested that the Committee adopt a mixture of evidence-taking and monitoring and that the issue is linked into the Committee’s consideration of the Executive’s Draft Budget. Initially, the following is suggested as a possible approach:

- It is suggested that on the same day as the Unions are invited to give evidence on relocation, that they give evidence on Efficient Government.
• According to Annexe B of the Efficient Government document, seminars are to be held during this month to develop public sector proposals for efficient government projects. Technical notes for cash releasing efficiency projects will be published by March and by May, technical notes for time-releasing efficiency savings will be published. Therefore, it is suggested that the Committee could seek to take evidence from the Minister in March and then in May on the milestones that have been reached.

• It is further suggested that the Committee may wish to take evidence in May and June from selected NDPBs and perhaps local authorities. This could be done over 2 or 3 Committee meetings.

• Additionally, the Committee could set aside some time to take further evidence on civil service reform and modernising government, as outlined in paper FI/S2/05/1/3 which was tabled at the Committee meeting on 11 January 2005.

In summary, the work programme on this issue would be as follows (please note that dates from March onwards are purely provisional)

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<thead>
<tr>
<th>Date</th>
<th>Evidence from unions</th>
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<tbody>
<tr>
<td>22 February</td>
<td>Evidence from unions</td>
</tr>
<tr>
<td>15 March</td>
<td>Evidence from Minister giving update on seminars and explanation of technical notes</td>
</tr>
<tr>
<td>12 April</td>
<td>Evidence on Civil Service Reform</td>
</tr>
<tr>
<td>26 April</td>
<td>Evidence on Civil Service Reform</td>
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<tr>
<td>3 May</td>
<td>Evidence on Civil Service Reform</td>
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<tr>
<td>10 May</td>
<td>Evidence from Minister giving explanation of technical notes</td>
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<td>17 May</td>
<td>Evidence from some NDPBs and local authorities</td>
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<tr>
<td>24 May</td>
<td>Evidence from some NDPBs and local authorities</td>
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<tr>
<td>7 June</td>
<td>Evidence from some NDPBs and local authorities</td>
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Apart from this initial work, the Committee will wish to consider how it wants to conduct ongoing monitoring of the initiative. As it is anticipated that the technical notes will give much more detail about where and what efficiency savings the Executive expects to achieve, it is suggested that the Committee consider the most appropriate monitoring schedule after the first technical notes have been published.

It is anticipated that the Committee’s budget adviser will be able to give advice and assistance to the Committee as it deals with Efficient Government.

**Cross-cutting expenditure review of Deprivation**
The Convener has suggested that the Committee may wish to undertake a further cross-cutting expenditure review. It is intended that the review would investigate the formulae used to determine resource allocation on the basis of deprivation. It would
also investigate whether money is allocated by the UK Treasury to deal with deprivation and if so, the level of co-ordination between the Executive and Westminster.

The Committee’s budget adviser has indicated that he would be able to produce a research paper which could inform the Committee’s inquiry. The form of this paper and an outline of the assistant which the Adviser could offer is outlined below.

The paper will review current expenditure provision by the Executive for programmes which specifically tackle manifestations of deprivation (eg, SIPs, Childcare and Employment) or which include additional resources to reflect the additional needs of deprived groups (eg teachers for deprivation; Arbuthnott index). In addition, it will review the resource allocation models used to distribute funds on deprivation criteria between groups and areas.

The paper will also present a summary of existing evaluation research into the impact of such programmes on deprivation across Scotland and highlight the key budgetary lessons from such studies.

Finally, the paper will identify a range of budgetary issues for the committee to consider and address in the evidence sessions, and assist it to draw comparisons on the relative effectiveness of different approaches. The adviser would also assist the Committee in its questioning of Ministers and officials in the conventional way.

If the Committee wishes to proceed with such an inquiry, a further paper could be brought to the Committee setting out a specific remit, methodology and timescale. Provisionally, however, it is envisaged that a paper by the Adviser could be completed by April. At this point, the Committee could seek written evidence on the basis of this paper and the Committee may then wish to take evidence during May and June. When firming up these dates, consideration will be given to other evidence sessions which the Committee may already be committed to taking, to avoid lengthy meetings.

Susan Duffy
Clerk to the Finance Committee
Scrutiny of Financial Memoranda: Changes to Standing Orders

Introduction
1. Various changes have been made to Standing Orders with effect from 10 January 2005, in line with recommendations made by the Procedures Committee\(^1\). Some of these may have implications for the work of the Finance Committee.

2. The most relevant change is set out in new rule 9.8B:
   “If a Bill is amended at Stage 2 so as to alter substantially any of the costs set out in the Financial Memorandum that accompanied the Bill on introduction, the member in charge shall lodge with the Clerk, not later than the fourth sitting day before the day on which Stage 3 is due to start, a revised or supplementary Financial Memorandum. The revised Financial Memorandum (or supplementary Financial Memorandum, when read in conjunction with the original Financial Memorandum) shall set out, in relation to the amended Bill, the information required under Rule 9.3.2 in relation to the Bill on introduction.”

3. The Procedures Committee also recommended that the minimum period between Stages 2 and 3 should be 9 sitting days, whether a Bill has been amended or not.

Background
4. At present, an Executive Bill must be accompanied by a Financial Memorandum on introduction. In its stage 1 report, the lead committee must, in considering the general principles of the Bill, take into account the Finance Committee’s views on the Financial Memorandum. Thereafter - until this recent change - Standing Orders makes no further comment on the consideration of Financial Memorandums by committees in the three stage bill process.

5. In practice, while there have been occasions where the Finance Committee has expressed its discontent with the quality of a particular Financial Memorandum under its consideration, the Executive has never produced an amended or alternative Financial Memorandum after the initial introduction of the relevant bill.

6. However, in the stage 1 debate on the Water Services etc (Scotland) Bill, the Minister for Environment and Rural Development said he would submit an updated financial memorandum to the Parliament in advance of stage 3\(^2\).

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\(^1\) Procedures Committee 7th Report, 2004 (Session 2): Timescales and Stages of Bills. The changes were agreed by the Parliament on 11 November 2004.

\(^2\) Finnie, Official Report, 17 November 2004, Col 11899
Implications
7. While the potential for the Executive and Members to issue revised Financial Memorandums suggests a possible new area of activity for the Finance Committee, timing may constrain this.

8. In terms of timing, while there will now be at least 4 sitting days for a revised Financial Memorandum to be produced before Stage 3 commences, this may not allow sufficient time for the Finance Committee to re-examine the revised Financial Memorandum, assuming that it wished to do so.

9. It would be extremely unlikely that the Committee would have sufficient time to take evidence and produce a report as it does at Stage One as there may only be one Committee meeting between the revised Financial Memorandum being produced and the Stage 3 debate.

10. It is suggested therefore, that where a revised Financial Memorandum is produced in time for consideration at a Committee meeting, then the Clerks would arrange (where possible) for Executive officials to give evidence to the Committee. Directly following the evidence, the Committee could then discuss its view of the revised Financial Memorandum and nominate one member (perhaps the Convener or Deputy Convener) to convey these views on behalf of the Committee during the Stage 3 debate.

Decision
11. The Committee is invited to consider whether it agrees with the above approach.

12. In addition to this, Members may wish to clarify with the Procedures Committee and with the Executive what is meant by the phrase “to substantially alter any of the costs” and who would decide whether this criterion had been met.

13. More broadly, there have been numerous examples of Financial Memoranda which Members feel have not disclosed the full costs associated with a Bill, for example because a consultation relating to the Bill is still ongoing. Members may wish to seek assurance from the Executive that in such cases a revised Financial Memorandum is produced when the Bill is still under parliamentary consideration and where there have been developments which would clarify some of the costs.

Terry Shevlin
Senior Assistant Clerk