The Committee will meet at 10.00 am in Committee Room 1 to consider the following agenda items:

1. **Relocation of Public Sector Jobs**: The Committee will take evidence on the relocation of public sector jobs from—

   George Lyon MSP, Deputy Minister for Finance and Public Service Reform; David Robb, Head of Public Bodies and Relocation Division, Scottish Executive; and Morris Fraser, Public Bodies and Relocation Division, Scottish Executive.

2. **Adult Support and Protection (Scotland) Bill**: The Committee will take evidence on the Financial Memorandum from—

   Jean MacLellan, Bill Team Leader, Adult Support and Protection Unit, Scottish Executive; and Diane Strachan, Adult Support and Protection Unit, Scottish Executive.

3. **Efficient Government**: The Committee will consider the updated Scottish Executive Efficiency Technical Notes.

4. **Scottish Affairs Select Committee inquiry into Poverty in Scotland**: The Committee will consider whether to submit evidence to the Scottish Affairs Select Committee inquiry.

5. **Review of Scottish Executive Management of Public Finances (in private)**: The Committee will consider a paper from its budget adviser.

Susan Duffy
Clerk to the Committee
Room T3.60
Extn 85215
The papers for this meeting are:

**Agenda Item 1**

Report from Scottish Executive, relocation map and various correspondence

PRIVATE PAPER

**Agenda Item 2**

Submissions from:
- Care Commission;
- COSLA (revised);
- NHS Grampian; and
- NHS Lothian (revised).

Scottish Executive Adult Support and Protection (Scotland) Bill Regulatory Impact Assessment (previously circulated to members)

Adult Support and Protection (Scotland) Bill (previously circulated to Members in hardcopy only, copies available from the Scottish Parliament website)

SPICe briefings on the Adult Support and Protection (Scotland) Bill (previously circulated to Members in hardcopy only, copies available from the Scottish Parliament website)

PRIVATE PAPER

**Agenda Item 3**

Paper from the budget adviser

Scottish Executive Efficiency Technical Notes (previously circulated to Members in hardcopy only, copies available from the Scottish Executive website)

**Agenda Item 4**

Paper from the Clerk

**Agenda Item 5**

PRIVATE PAPER
Finance Committee

18th Meeting 2006, Tuesday 20 June 2006

Relocation of Public Sector Jobs

1. On the basis of the issues raised within the Committee’s report into the relocation of public sector jobs, it was agreed that the Executive would provide a six-monthly written update on its Relocation Policy, and that a Minister would attend a Committee meeting to give evidence on this update.

2. The latest update from the Scottish Executive on its relocation policy is attached. Also attached is relevant correspondence received since the Deputy Minister’s appearance before the Committee in December 2005, these are as follows:

- a letter from the Deputy Minister on 30 April 2006 following up on points raised in the evidence session in December 2005 (p. 19);
- a letter from the Public and Commercial Services Union (PCS) regarding the costs of SNH relocation (p.25); and
- a response to the PCS correspondence from the Deputy Minister dated 28 April 2006 (p.28).

Kristin Mitchell
Assistant Clerk
SCOTTISH EXECUTIVE RELOCATION POLICY

REPORT TO FINANCE COMMITTEE, JUNE 2006

1. This paper provides the Finance Committee with an update on developments in the Executive’s Relocation policy over the last six months. It is also a response to issues raised at or since the last meeting in December, which have not otherwise been dealt with in correspondence.

Location Reviews
2. An up-to-date list of all organisations that have been considered under the relocation policy and the outcomes of each location review to date is attached at Annex A for information. A separate map is also attached showing where organisations have been located or relocated under the policy. The table at Annex A shows that from the 39 bodies that have been, or are being, reviewed:

(a) 2,180 posts have been located or relocated outwith Edinburgh;
(b) Decisions have been taken on the future location of a further 918 posts; and
(c) There are another 1,736 posts currently under review.

3. Since the last Finance Committee meeting, the Convenor of the Water Customer Consultation Panels has located 9 posts in Alloa under the Small Unit’s Initiative and the future location of sportsscotland’s 133 headquarter posts in the new National Indoor Sports Arena in Glasgow has been announced.

4. The official opening of the new Accountant in Bankruptcy head quarters in Pennyburn Road in Kilwinning took place on 5 June 2006. Mr Lyon will be visiting the Accountant in Bankruptcy in their new premises in the summer.

5. Among the location reviews currently under way, the report on the first stage for the VesCo, a vessel and asset owning company being established as a result of the restructuring of Caledonian MacBrayne Limited, has been completed and published on the Executive’s website. The shortlist of locations under consideration includes Dunbartonshire, North Ayrshire, Inverclyde and Argyll & Bute.

6. Further reviews are planned for the Scottish Legal Complaints Commission, as a result of a reorganisation, and the Scottish Court Services, as the result of a lease break. Ministers will make an announcement later this year setting out the future review programme.

Partnership Working
7. The Executive now has detailed information from our delivery partners in local authorities and the enterprise networks on location opportunities from all around Scotland. This will now form the basis of the socio-economic section of all future location reviews. This information includes property availability, rent, and rates in each local authority area – focusing on the areas in which each local authority and enterprise company would wish to see benefit from relocations. A live database of all these locations is being compiled to include up-to-date socio-economic data. The database is extensive, and so will be published on the Executive’s website this summer in summary form.
8. The Relocation Policy Team has received numerous messages of support from delivery partners and stakeholders for the Relocation Policy website, which details reviews in progress, provides guidance on the policy and has links to published location reviews and other relevant information.

9. The Executive has also published our first quarterly Newsletter for delivery partners, and this is reproduced at Annex B.

Policy Evaluation
10. The Executive made a commitment to undertake a 3-strand evaluation of relocation policy during 2006. One of the most significant strands of the evaluation is measuring the impact the policy has had. This is also the subject of an investigation by Audit Scotland who plan to publish a report later this year. The Executive is working closely with Audit Scotland on this, and will take account of the findings in that investigation in our own evaluation. To give the Committee a preview of the approach being taken to ex-post evaluation of relocations and the level of detail involved, an extract is reproduced at Annex C. This extract sets out the cost factors we are working with Audit Scotland to assess. The overall saving will be expressed in a cost/saving per job figure – based on net present value (as recommended in the Treasury Green Book) and over 15 years (as recommended in the Lyons Review). The extract also provides an example of the socio-economic situation in one location – Galashiels. This is the sort of information which will help assess the socio-economic impact of relocating the Scottish Public Pensions Agency from Edinburgh.

11. The Relocation Policy Team has also visited a number of organisations which have been through the relocation process to assess the impact of the policy on the way they work - considering their experience in workplace management and utilisation techniques. The findings of that strand of the evaluation will also be made available in the summer. Ministers have now agreed to a range of measures to improve space utilisation across the Scottish Executive estate, its Agencies and Non Departmental Public Bodies. The proposals have been developed as part of the wider public sector reform policy on Best Value and the asset management strand of Efficient Government and will also offer a more strategic approach to relocation. As a first step, all publicly funded organisations will be asked to record their assets centrally, providing an overview of the whole of the sponsored sector’s estate with a view to developing and implementing basic benchmarking of key property information on cost per square metre and occupancy density.

Regeneration
12. The Relocation Policy team has been working with the Regeneration Unit within the Executive’s Development Department to further establish the link between Relocation and Regeneration and are considering several options to take this forward, in line with the regeneration initiative announced by the First Minister in February this year. These include:

   (a) The provision of a joint seminar/awareness day for relevant local authorities and enterprise companies.
(b) How the provision of job specific training in advance might benefit a particular location.

13. The Committee will be kept informed of developments in this area.

Transferability

14. The Committee has previously asked to be kept informed of developments in the policy change to enable the transfer of staff between Non-Departmental Public Bodies and the Civil Service.

15. A register of NDPBs eligible for transfer into the Civil Service has now been approved by the Office of the Civil Service Commissioners. Over one hundred NDPBs applied to the Cabinet Office to be admitted to the register and to date, fifty eight of those have been approved. Approval has been on the basis of the provision of details of recruitment procedures which are in line with the principles used by the Civil Service. Fourteen of the approved bodies are Scottish, a list of which can be found at Annex D. Details of how the staff in these NDPBs will be able to apply for Scottish Executive posts, and arrangements for taking account of divergent terms and conditions of employment are being finalised and will be published on the Executive’s website. Staff in the Executive will also be able to apply for posts within these NDPBs.

16. The approved list will be revised periodically if further submissions to the OCSC are approved. The Civil Service Commissioners’ approved arrangements which will enable transfers to take place came into effect on 3 April 2006. These arrangements will be subject to review after two years or earlier, if required. The approval of the Office of the Civil Service Commissioners will be required for any NDPB staff being offered appointment under this arrangement.

UK Relocations

17. Relocations from the south-east of England are now being co-ordinated by the Office of Government Commerce (OGC), which has now published its own guidance and set up its own central review team to assist UK Departments with their prospective relocations following the Lyons Review. The Executive remains committed to attracting as many of these jobs to Scotland as possible, and has discussed with OGC and with local authorities how best to make a case for Scottish regions. We are arranging a series of briefings for local authorities and enterprise companies with OGC in late summer to make sure as good a case as possible can be made for relocation to Scotland for UK Departments. To date, the most significant relocations to Scotland have been made by the Department for International Development and the Department for Work and Pensions.

18. The Executive was also pleased to welcome the National Wildlife Crime Unit to North Berwick in April. The unit was previously based in London and is a specialist police unit targeting wildlife crime across the UK. It gathers intelligence on wildlife crime nationwide and provides investigative support to police and customs officers across Britain. The unit will employ 10 officers, working from their new UK headquarters at North Berwick police station.
19. In March this year, as part of the Executive’s overall strategy to attract UK relocations to Scotland, the Relocation Policy Team published an article *Scotland is the Place* in the Govnet Communication the Public Service Director. The article provided the opportunity to promote the benefits of Scotland, including the quality of its people, lifestyle and infrastructure, as well as Scotland as a suitable home for efficient and effective organisations relocating from the south-east of England. The article is reproduced at Annex E.

20. The Committee should also be aware that the prospect of job losses in Scotland, due to the UK efficiency drive established under the Gershon Review remains valid. Wherever possible the Executive is being kept up to date on UK Department plans for rationalisation and redistribution of posts. This information will be taken into consideration in each future location review project.

SCOTTISH EXECUTIVE
June 2006
## SCOTTISH EXECUTIVE RELOCATION POLICY
### RELOCATION TRACKER - 2006

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>POSTS</th>
<th>STAGE</th>
<th>IMPLEMENTED</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>60 (2003)</td>
<td>Glasgow</td>
</tr>
<tr>
<td>No.</td>
<td>Organisation</td>
<td>Decided 2004</td>
<td>Decided 2005</td>
<td>Location</td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>--------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>15.</td>
<td>Mental Health Tribunal Service</td>
<td>20</td>
<td>20</td>
<td>Dundee</td>
</tr>
<tr>
<td>16.</td>
<td>Scottish Building Standards Agency</td>
<td>44</td>
<td>44</td>
<td>Hamilton</td>
</tr>
<tr>
<td>17.</td>
<td>Architecture and Design Scotland (Royal Fine Arts Commission for Scotland)</td>
<td>10</td>
<td>10</td>
<td>Edinburgh</td>
</tr>
<tr>
<td>18.</td>
<td>Her Majesty’s Inspectorate of Education</td>
<td>84</td>
<td>60</td>
<td>Livingston, Clydebank</td>
</tr>
<tr>
<td></td>
<td>2 regional offices</td>
<td></td>
<td>24</td>
<td>and Ayrshire</td>
</tr>
<tr>
<td>19.</td>
<td>Risk Management Authority</td>
<td>20</td>
<td>20</td>
<td>Paisley</td>
</tr>
<tr>
<td>20.</td>
<td>COPFS Transcription Units (Small Units Initiative)</td>
<td>14</td>
<td>6</td>
<td>Dingwall, Tain, Campbeltown</td>
</tr>
<tr>
<td>21.</td>
<td>Central Enquiry Unit (Small Units Initiative)</td>
<td>9</td>
<td>9</td>
<td>Kinlochleven</td>
</tr>
<tr>
<td>22.</td>
<td>Crofting House Grants Scheme (Small Units Initiative)</td>
<td>8</td>
<td>8</td>
<td>Tiree</td>
</tr>
<tr>
<td>23.</td>
<td>NHS Central Registrar (Small Units Initiative)</td>
<td>17</td>
<td>17</td>
<td>Dumfries</td>
</tr>
<tr>
<td>24.</td>
<td>Accountant in Bankruptcy</td>
<td>140</td>
<td>140</td>
<td>Kilwinning</td>
</tr>
<tr>
<td>25.</td>
<td>Convenor of the Water Customer Consultation Panels (Small Units Initiative)</td>
<td>9</td>
<td>9</td>
<td>Alloa</td>
</tr>
</tbody>
</table>

<p>| SUBTOTAL         | 2,342 Reviewed          | 2,180        | 162         |
|                 |                         | Located outwith Edinburgh | Remaining in Edinburgh |
| 26. | NHS Quality Improvement Scotland                                            | 201          | -            | Glasgow                 |
| 27. | NHS Health Scotland                                                        | 146          | -            | Glasgow                 |
| 28. | NHS Education Scotland                                                     | 102          | -            | Glasgow                 |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>30.</td>
<td>Communities Scotland</td>
<td>110</td>
<td>Decided 2005</td>
<td>-</td>
</tr>
<tr>
<td>31.</td>
<td>Sportscotland</td>
<td>133</td>
<td>Decided 2006</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>SUBTOTAL</td>
<td>918</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.</td>
<td>NHS National Services Scotland Phase 2</td>
<td>260</td>
<td>Review to be undertaken</td>
<td>-</td>
</tr>
<tr>
<td>32.</td>
<td>Scottish Arts Council</td>
<td>100</td>
<td>Stage 2 deferred</td>
<td>-</td>
</tr>
<tr>
<td>33.</td>
<td>Scottish Further and Higher Education Funding Council</td>
<td>163</td>
<td>Stage 2 deferred</td>
<td>-</td>
</tr>
<tr>
<td>34.</td>
<td>Registers of Scotland</td>
<td>1030</td>
<td>Stage 2</td>
<td>-</td>
</tr>
<tr>
<td>36.</td>
<td>Scottish Court Service</td>
<td>95</td>
<td>Stage 1</td>
<td>-</td>
</tr>
<tr>
<td>37.</td>
<td>Legal Services Ombudsman</td>
<td>8</td>
<td>Stage 1</td>
<td>-</td>
</tr>
<tr>
<td>38.</td>
<td>Mental Welfare Commission</td>
<td>70</td>
<td>Move deferred</td>
<td>-</td>
</tr>
<tr>
<td>39.</td>
<td>VesCo</td>
<td>10</td>
<td>Stage 2</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>SUBTOTAL</td>
<td>1,736</td>
<td></td>
<td>1,736 under review</td>
</tr>
</tbody>
</table>
Welcome
Welcome to the first issue of the Scottish Executive’s Relocation Newsletter. On 1st March 2005 we held our first Relocation Seminar which was well attended by representatives from Local Authorities and Local Enterprise Companies. The seminar enabled us to make valuable contacts across the whole of Scotland and we hope this newsletter will be a good way of keeping in touch. In the newsletter, we aim to provide you with an update on policy developments along with other useful items of information. As always, we welcome any feedback so please don’t hesitate to contact any member of the team with your thoughts or ideas.

9 Posts to Alloa
We are pleased to report that on 21 February the Deputy Minister for Environment and Rural Development, Rhona Brankin MSP, officially launched the new agency Waterwatch Scotland which has been located in Alloa under the Small Units Initiative. Ms Brankin stated that “Alloa has been chosen as the HQ location for Waterwatch Scotland. The relocation of up to 9 permanent posts here at Forrester Lodge, Alloa is good news for the area and will make an important contribution locally.”

The Small Unit’s Initiative is a separate strand of the Executive’s Relocation policy aimed at supporting Scotland’s more fragile rural communities by relocating small discrete units of work, normally comprising between 10-15 staff, to agreed locations that would benefit from such moves. Details of moves that have taken place to date under this initiative can be found on the Relocation Website.

Database Developments
Thank you to everyone who completed a Location Opportunity Pro-forma providing data for our relocation database. In general, we have received good quality data which will be available for use in future location reviews. The database will provide local level data on available properties and sites for development, along with other relevant data such as recent job losses. The database will be a key factor in the selection of future locations. The current list of locations provided by each Local Authority and Enterprise Company is available on the Relocation Website.

Relocation Ministers
We are pleased to announce that Ross Finnie, MSP has recently joined the team of Relocation Ministers. There are five relocation Ministers who approve the outcome of Location Reviews. Currently these are:
1. First Minister,
2. Minister for Environment & Rural Development,
3. Minister for Finance and Public Service Reform,
4. Deputy Minister for Finance, Public Service Reform and Parliamentary Business,
5. Minister for Parliamentary Business
UK Relocation
The Office of Government Commerce (OGC) is responsible for the implementation of the UK relocation policy resulting from the Lyons review, moving jobs away from London to other parts of the UK. Scotland has already benefited from this policy, gaining posts in Dundee and East Kilbride. Similar to our Relocation Database, the OGC is currently maintaining a list of towns and cities throughout the UK to help support and inform their location appraisal process. Each entry on the list provides a link to a brochure or website which provides access to local information and sources of help.

David Reid, the public sector relocation manager of the inward investment agency, Scottish Development International, is responsible for maintaining this list and would be interested to hear from suitable locations in Scotland. David can be contacted on 020 7270 6792 or david.reid@scotent.co.uk. The OGC website can be found at http://www.ogc.gov.uk/relocation.

Location Reviews
We are pleased to announce that the first stage of a Location Review has been completed for VesCo, a new vessel and asset leasing company that will be formed from the forthcoming re-organisation of Caledonian MacBrayne Ltd. This restructuring will enable the tendering of the Clyde and Hebrides ferry services to proceed and result in many of Caledonian MacBrayne’s day to day operational functions, and most of its staff, transferring from the existing company into a new ferry operating company. The new ferry operating company will continue to be based at CalMac’s Gourock headquarters. Four local authority areas have been shortlisted for consideration in Stage 2 of the Location Review: West Dunbartonshire, North Ayrshire, Inverclyde and Argyll & Bute. Further information can be found on the Relocation Website.

How well are we doing?
We are constantly trying to improve the implementation of the policy and we can do this by looking at how well things have been done in the past. The Relocation Policy Team is currently carrying out a full evaluation of all relocations to date which will be completed later this year. We will be focussing on three strands of evaluation which combined should give a clear picture of the outcome of the policy. We will analyse the quantifiable benefits relocation can bring to an area, consider benchmarking as a tool for measuring efficiency and effectiveness and carry out a study comparing relocation in other countries. Audit Scotland is also undertaking a study comparing relocation, due for completion in May.

<table>
<thead>
<tr>
<th>The Figures</th>
<th>Key Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>38 bodies have been, or are being reviewed,</td>
<td>Important forthcoming dates include:-</td>
</tr>
<tr>
<td>2,180 posts have been located or relocated out with Edinburgh,</td>
<td>1. Audit Scotland - May 2006,</td>
</tr>
<tr>
<td>785 posts have had their future location decided,</td>
<td>2. Finance Committee meeting - June 2006,</td>
</tr>
<tr>
<td>1,599 posts are currently under review. Details of all reviews can be found on the Relocation Website.</td>
<td>3. Policy Team Evaluation Report - Summer 2006.</td>
</tr>
</tbody>
</table>
The Team
Please contact any member of the current team to discuss any aspect of the policy.

<table>
<thead>
<tr>
<th>Team Member</th>
<th>Responsibility</th>
<th>Contact Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morris Fraser</td>
<td>Branch Head Relocation policy</td>
<td>0131-244-7834 <a href="mailto:Morris.Fraser@scotland.gsi.gov.uk">mailto:Morris.Fraser@scotland.gsi.gov.uk</a></td>
</tr>
<tr>
<td>Gillian McCallum</td>
<td>Relocation policy review support, guidance and policy evaluation</td>
<td>0131-244-4245 <a href="mailto:Gillian.McCallum@scotland.gsi.gov.uk">mailto:Gillian.McCallum@scotland.gsi.gov.uk</a></td>
</tr>
<tr>
<td>Katy Speirs</td>
<td>Relocation policy review support and policy development</td>
<td>0131-244-4280 <a href="mailto:Katy.Speirs@scotland.gsi.gov.uk">mailto:Katy.Speirs@scotland.gsi.gov.uk</a></td>
</tr>
<tr>
<td>Maria Reid</td>
<td>Small Units Initiative - aimed at supporting Scotland's more fragile rural communities by relocating small discrete units of work.</td>
<td>0131-244-4279 <a href="mailto:Maria.Reid@scotland.gsi.gov.uk">mailto:Maria.Reid@scotland.gsi.gov.uk</a></td>
</tr>
<tr>
<td>Julie Greig</td>
<td>Relocation and Small Units Initiative policy co-ordinator.</td>
<td>0131-244-4999 <a href="mailto:Julie.Greig@scotland.gsi.gov.uk">mailto:Julie.Greig@scotland.gsi.gov.uk</a></td>
</tr>
</tbody>
</table>

Our policy objectives are to:-
1. Ensure that the government in Scotland is more efficient and decentralised,
2. Provide cost-effective delivery solutions,
3. Assist areas with particular social and economic needs. The policy covers the Executive’s Departments and Agencies, Non-Ministerial Departments and the sponsored public sector

The Relocation Website can be found at http://www.scotland.gov.uk/topics/government/relocation
# SCOTTISH EXECUTIVE RELOCATION POLICY

## EVALUATION TEMPLATE EXAMPLE

### Cost Factors

<table>
<thead>
<tr>
<th>Cost Factor (£k)</th>
<th>Organisation - Move</th>
<th>Organisation - No Move</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Set-up Costs / One-off additional</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fitting-out works</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Furniture</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Training/parallel running</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Year 2&amp;3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Removal</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Recruitment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Relocation - initial staff cost</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dilapidations on lease expiry</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>IT Capital</td>
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<td>0</td>
</tr>
<tr>
<td>Expenses</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Telecoms / Utilities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Set-up Costs</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

| **Running Costs** | | |
| Rent, rates, utilities and service charge | 0 | 0 |
| Other Costs (Postage) | 0 | 0 |
| Maintenance / Services | 0 | 0 |
| Security | 0 | 0 |
| Cleaning, maintenance | 0 | 0 |
| IT support | 0 | 0 |
| IT line rental | 0 | 0 |
| Staff | 0 | 0 |
| Travel | 0 | 0 |
| Relocation excess fares | 0 | 0 |

| **Benefits** | |
| Number of jobs - transferred | 0 |
| Number of jobs - created | 0 |
| Number of people commuting | 0 |
| Total number of Jobs | 0 |

| **Other Information** | |
| Floor space before the move (sq M) | 0 |
| Floor space after the move (sq M) | 0 |

NPV over 15 years of the do nothing option – £0
NPV over 15 years of the move option - £0

**Overall cost/saving per job of relocation - £ 0**

**Socio-economic Impact – SPPA, Galashiels**

The following sets out how Scottish Borders compares to Edinburgh in relation to the key socio-economic indicators set out by relocation policy. The aim of this analysis is to evaluate how the relocation of SPPA to Tweedbank near Galashiels in Scottish Borders may have had a positive impact.

<table>
<thead>
<tr>
<th>Supporting Fragile and Declining Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator</strong></td>
</tr>
<tr>
<td>Change in Working Age Population over the last decade 1994-2004</td>
</tr>
<tr>
<td>Population Density</td>
</tr>
<tr>
<td>Rank</td>
</tr>
</tbody>
</table>

Under the first objective Scottish Borders is found to be in relative greater need than Edinburgh, with Edinburgh coming top of the ranks as the least fragile and declining community in Scotland. Over the past 10 years Scottish Borders Population has risen by only 3.25% which although higher than the Scottish average is lower than Edinburgh. In terms of population density the Scottish borders has significantly fewer people per Square mile than the Scottish average. While the Scottish borders is not one of Scotland most fragile and declining communities the indicators suggest that the area would benefit from the SPPA’s move.

<table>
<thead>
<tr>
<th>Helping Areas of Economic Hardship &amp; Deprivation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator</strong></td>
</tr>
<tr>
<td>Scottish Index of Multiple Deprivation : Percentage of population in 20% most deprived</td>
</tr>
<tr>
<td>Average (Median) Weekly Earnings</td>
</tr>
<tr>
<td>Claimant Weekly Unemployment Level</td>
</tr>
<tr>
<td>Rank</td>
</tr>
</tbody>
</table>

The Scottish Borders sits slightly higher than Edinburgh in term of helping areas of economic hardship and deprivation. The Scottish borders has roughly 3% of its population living within Scotland’s 20% most deprived areas. In comparison Edinburgh has considerably higher rate, yet this is unsurprising as Edinburgh has many deprived areas as well as well off. This is also true for unemployment where Edinburgh proves to have a higher unemployment rate.
- this would be more accurate if considered at datazone level, rather than at local authority level.

<table>
<thead>
<tr>
<th>Decentralised and Sharing the Benefits of Public Sector Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Proportion of employment by the public Sector</td>
</tr>
<tr>
<td>Rank (1-32)</td>
</tr>
</tbody>
</table>
### Registered Organisation

<table>
<thead>
<tr>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cairngorms National Park Authority</td>
</tr>
<tr>
<td>Highlands &amp; Islands Enterprise</td>
</tr>
<tr>
<td>Learning and Teaching Scotland</td>
</tr>
<tr>
<td>Loch Lomond &amp; The Trossachs National Park Authority</td>
</tr>
<tr>
<td>NHS National Services Scotland</td>
</tr>
<tr>
<td>NHS Quality Improvement Scotland</td>
</tr>
<tr>
<td>Royal Botanic Gardens Edinburgh</td>
</tr>
<tr>
<td>Scottish Arts Council</td>
</tr>
<tr>
<td>Scottish Commission for the Regulation of Care</td>
</tr>
<tr>
<td>Scottish Funding Councils for Further and Higher Education</td>
</tr>
<tr>
<td>Scottish Natural Heritage</td>
</tr>
<tr>
<td>Scottish Social Services Council</td>
</tr>
<tr>
<td>Scottish University for Industry</td>
</tr>
<tr>
<td>VisitScotland</td>
</tr>
</tbody>
</table>
PUBLIC SECTOR ORGANIZATIONS LOCATING FROM THE SOUTH EAST, MUST CONSIDER SCOTLAND ONE OF THE TOP OPTIONS BECAUSE OF THE QUALITY OF ITS PEOPLE, LIFESTYLE AND INFRASTRUCTURE.

There are many excellent reasons for choosing Scotland as a home for efficient and effective public sector organizations. Scotland has a great future and a global reputation for being a welcoming country. We have one of the best educated workforces in the world with more than 50 per cent of our young people going into higher education. We are world leaders in many modern industries including financial services, life sciences, and energy – from oil and gas to renewables. We have some of the world's most breathtaking landscapes and a quality of life that is hard to beat. We have great internal and external transport links, which means you are never too far from stakeholders, and our commercial and domestic property markets offer unsurpassed value.

If you plan to bring jobs to Scotland, you'll find an abundance of well educated people to fill them. Our universities and colleges are first-class, with a global reputation for excellence in research and teaching. If you plan to bring your current staff to Scotland, they will find life opportunities unavailable elsewhere in the UK.

From remote and majestic glens and tranquil lochs to exciting concerts and pulsing city nightlife, Scotland offers an unrivalled range of things to see and do. For the more energetic there are exceptional leisure facilities, including the some of the world's greatest golf courses, stunning mountain walks and thrilling watersports centres.

The average price of a house in Scotland is currently £113,169. This compares to the UK average of £169,901. The annual rate of house price inflation in Scotland is now 14.8%, above the UK average of 5.1%. Prices in Scotland rose by 5.7% in Q4 2005, the highest rise of any UK region over the period. Greater London prices are now 2.3 times higher than those in Scotland. Commercial property values vary extensively across the country, but are all significantly less expensive than in the south east of England.

Scotland boasts international airports at Glasgow, Edinburgh, Aberdeen and Prestwick, as well as several regional airports. There are also good rail and road links across the country and ferry services direct to the European mainland and to neighbouring Ireland.

The quality workforce, quality of life on offer, and the infrastructure in Scotland have already contributed to our success in the banking, insurance and finance sector, with Edinburgh now ranked as Europe's sixth largest equity management centre. The Royal Bank of Scotland, from its Edinburgh
headquarters, is one of the world's most profitable companies. There are many electronics and software firms in central Scotland: 7 of the top 10 computer manufacturers have offices in Scotland. The city of Aberdeen is the offshore oil capital of Europe, and the international oil industry looks to Scotland for technical innovation and guaranteed skills. The pull of a highly skilled, productive and flexible workforce here has also been a significant factor in attracting private sector inward investment in high technologies, such as electronics, biotechnology and advanced engineering. Among the internationally famous names who've made Scotland their home are Agilent, Alcatel, Bank of Bermuda, British Airways, Cadence, Emtelle, IBM, NV Organon, Siemens, Sulzer Vazcutech, Sun Microsystems, Thales Optronics and UPM Kymenne Group.

In the public sector, some UK Government Departments, other than the Scottish Executive, already have a significant operational presence in Scotland. There are also some specialist centres such as the DWP Pensions centre in Dundee, DTI Energy posts in Aberdeen and DfID growth in East Kilbride. This demonstrates clearly that UK Departments can operate in and from Scotland.

Within Scotland, following Devolution in 1999, the Scottish Executive formalized its own relocation policy to decentralise government jobs and bring the associated benefit to communities all across Scotland. More than 2000 jobs have been located under this policy and another 2000 are under review. The Scottish Executive, working with local authorities and the enterprise networks has gathered detailed information on hundreds of property and development opportunities in communities across the country. The Executive has established a database of information on which a relocation business case could be made on each of these opportunities as well as very local socio-economic information which allows the wider impact of a potential move to be easily and accurately assessed. This should be of great use to public sector organizations considering a move to Scotland as it will reduce the effort in writing the business case and wider impact assessment.

In summary, Scotland must be one of the top options for public sector organizations relocating from the south east. The quality of people, quality of life and quality of infrastructure here is a winning combination. To quote our own First Minister, Jack McConnell:

"We want to grow our economy and we want our country to grow too - in profile, image and stature. If you have ambitions and you want to live and work in a dynamic country with a good quality of life, then this is the time, and Scotland is the place."
Scottish Executive Relocation Policy
Decisions to Date

01. Aberdeen - Food Standards Agency
02. Aberdeen - NHS Education Scotland
03. Aberdeen - NHS National Services Scotland
04. Aberdeen - Scottish Commission for the Regulation of Care - Regency House
05. Dundee - Forest Enterprise (Scotland)
06. Dundee - Learning Teaching Scotland
07. Dundee - NHS Education Scotland
08. Dundee - Office of the Scottish Charity Regulator
09. Dundee - Scottish Commission for the Regulation of Care - Regency House
10. Dundee - Scottish Social Services Council
11. Dundee - Scottish Water HQ
12. Darlaston - Scottish Water HQ
14. Edinburgh - NHS Education Scotland
15. Edinburgh - VisitScotland
16. Edinburgh - Scottish Executive
17. Edinburgh - Scottish Executive Housing Repairs Unit
18. Edinburgh - Scottish Public Pensions Agency
19. Glasgow - Communities Scotland
20. Glasgow - Enterprise Transport & Lifelong Learning Department
21. Glasgow - Learning Teaching Scotland
22. Glasgow - NHS Health Scotland
23. Glasgow - NHS National Services Scotland
24. Glasgow - NHS Quality Improvement Scotland
25. Glasgow - Transport Scotland
26. Glasgow - NHS Education Scotland
27. Glasgow - Sport Scotland
28. Hamilton - Mental Health Tribunal Service
29. Hamilton - Scottish Commission for the Regulation of Care - Regency House
30. Inverness - Forestry Enterprise (Scotland)
31. Inverness - Scottish Commission for the Regulation of Care - Regional
32. Inverness - Scottish Natural Heritage
33. Kirkintilloch - Her Majesty's Inspectorate of Education
34. Kirkintilloch - Accountant in Bankruptcy
35. Livingston - Her Majesty's Inspectorate of Education
36. Livingston - Scottish Building Standards Agency
37. Musselburgh - Scottish Commission for the Regulation of Care - Regional
38. Paisley - Risk Management Authority
39. Paisley - Scottish Commission for the Regulation of Care - Regency House
40. Alloa - Convenor of Water Customer Consultation Panels
41. Campbeltown - Crown Office and Procurator Fiscal Service - Transport Bus Units
42. Dingwall - Crown Office and Procurator Fiscal Service - Transport Bus Units
43. Dingwall - Scottish Fire and Rescue Service
44. Paisley - Scottish Fire and Rescue Service
45. Tain - Crown Office and Procurator Fiscal Service - Transport Bus Units
46. Tain - Scottish Executive Environment and Rural Affairs Department

- Relocated Organisation
- Relocated Small Unit

Notes:
Relocation dates - SEP/05, 2006.
Background map - Ordnance Survey area series, 2009.
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Due to Old Ordnance Survey, a minimum agent may only use this map for official business dealings with the Scottish Executive. If you wish to use this map for other use, you must first obtain a separate licence from OS.
Scottish Executive Geographic Information Service May 2006: 30/04/06.
Correspondence from Deputy Minister 30 April 2006

At the Finance Committee meeting on Relocation on 13 December 2005, a number of issues were raised which could not be answered in full at the time, and which would require more detailed research. I would like to take the opportunity to answer these in this letter.

Firstly, I agreed to provide an accurate up-to-date table detailing the total number of relocations to date. I can confirm that the table presented to the Committee in December was accurate, and attach the latest version at Appendix 1. I’d be happy to discuss any further questions on the numbers, either in correspondence or at our next Finance Committee session.

Relocation Tracker Details
Dr Murray asked for more detail to be provided on the Relocation Tracker in future to include: the number of relocated posts that are filled locally; the number of people who move with relocated posts; and the working age of the people who move.

For all future location reviews the completion of the Post Relocation Evaluation: Staff Survey, as shown at Annex F in the Relocation Guide, will provide figures on number of posts and numbers recruited, moving or commuting, which have not been previously researched. The figures for the moves that have already been completed will form part of our policy evaluation, as these are all factors which effect the costs and impact of relocations. We hope to be able to provide a report on the evaluation project later this year. Initial findings from a small selection of projects suggest that on average 50% of relocated posts are filled by people who are recruited locally. Of the remaining 50%, it is assumed that on average 25% posts are filled by people who move house with their posts and 25% are filled by people who commute. Information on the working age of the people who move with relocated posts is not currently available. We had not planned to include this in our staff survey - Post Relocation Evaluation: Staff Survey until this was raised by the Committee. We will keep this in mind for our proposed refreshing of the guidance.

Accountant in Bankruptcy
Mr Swinney asked for an evaluation of the cost of the Accountant in Bankruptcy’s move to Kilwinning to be published, in particular in regard to the double running which was required in the initial stages of the move.

A full costing of the move will not be available until the move is complete and staff have all moved in. However, the most up-to-date cost information of all one-off costs and building costs can be found at Appendix 2. From that information, it is clear that in the final stages of preparation for moving into the new HQ, AiB was making a relative saving in rent in its 2 temporary buildings compared to the levels of rent and rates previously being spent in George Street Edinburgh. However, during the phase of double running in Edinburgh and in Ayrshire the estimated figures additional staff costs (for duplicate running) are:
2004/05 - £450k  
2005/06 - £850k  
2006/07 - £150k

These figures will be influenced by any changes in the planned timescale to reduce the number of Edinburgh based staff.

Although it is too early to quantify, it is expected that the new HQ in Kilwinning, as a modern energy efficient building, will realise savings in running costs which will soon more than cover the initial start up costs. Costs of £350k have been incurred so far (which is subject to confirmation and was spent over 2 financial years 04/05 and 05/06) in IT and telephony related expenditure, most of which was spent on hardware – such as PCs, telephone systems, servers, video conferencing system, etc). The estimated Relocation cost over the 3 years 04/05 to 06/07 is around the £4m mark however, it must be noted that these figures may be subject to change once the Accountant in Bankruptcy have carried out a full evaluation.

**Scottish Natural Heritage**

You also asked to be informed of any interim evaluation of the costs associated with SNH's move to Inverness. SNH's current budget position taken from the most recent Budget Report to the Relocation Project Board, of 22 March 2006, showed total expenditure to date at £7.76m. This figure will increase once HR and accommodation costs are realised this year. SNH estimates the cumulative net additional cash cost of relocation to 2011 as approx £17 million (if the new HQ is leased) and £27 million (if it is purchased). The outturn for redundancy payments alone arising from the relocation is predicted to be £6.903m against a budget of £7.621m. The savings are partly a consequence of a greater number of staff relocating and fewer staff redundancies than forecast in the Relocation Project Plan.

Finally, Mr Swinney asked to know the budget for the Relocation Policy Team. I can confirm that the team consists of 6 staff and the total cost for the team is around £125,000 per year.

I hope the answers I have provide here to specific issues raised by Committee members are helpful. I would be happy to discuss any of these further.
### SCOTTISH EXECUTIVE RELOCATION POLICY

#### APPENDIX 1

**RELOCATION TRACKER - 2006**

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>POSTS</th>
<th>STAGE</th>
<th>IMPLEMENTED</th>
<th>LOCATION</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td></td>
<td>60 (2003)</td>
<td>Glasgow</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>Files Reviewed</td>
<td>Decision Year</td>
<td>Notes</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------</td>
<td>---------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Decided 2005</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Decided 2005</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Central Enquiry Unit (Small Units Initiative)</td>
<td>9</td>
<td>Decided 2004</td>
<td>9 (2005)</td>
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<tr>
<td>22</td>
<td>Crofting House Grants Scheme (Small Units Initiative)</td>
<td>8</td>
<td>Decided 2004</td>
<td>8 (2005)</td>
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<tr>
<td>23</td>
<td>NHS Central Registrar (Small Units Initiative)</td>
<td>17</td>
<td>Decided 2004</td>
<td>17 (2005)</td>
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<td></td>
<td><strong>SUBTOTAL</strong></td>
<td><strong>2,342</strong></td>
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<td><strong>2,180 - Located outwith Edinburgh</strong></td>
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<td><strong>Reviewed</strong></td>
<td></td>
<td><strong>162 - Remaining in Edinburgh</strong></td>
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<td>26</td>
<td>NHS Quality Improvement Scotland</td>
<td>201</td>
<td>Decided 2005</td>
<td>-</td>
</tr>
<tr>
<td>27</td>
<td>NHS Health Scotland</td>
<td>146</td>
<td>Decided 2005</td>
<td>-</td>
</tr>
<tr>
<td>28</td>
<td>NHS Education Scotland</td>
<td>102</td>
<td>Decided 2005</td>
<td>-</td>
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<td>Transport Scotland</td>
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<td>Communities Scotland</td>
<td>110</td>
<td>Decided 2005</td>
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<tr>
<td></td>
<td><strong>SUBTOTAL</strong></td>
<td><strong>785</strong></td>
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<td>31</td>
<td>NHS National Services Scotland Phase 2</td>
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<td></td>
<td>Name</td>
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<td>Status</td>
<td>Notes</td>
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<td>32</td>
<td>Scottish Arts Council</td>
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<td>Scottish Further and Higher Education Funding Council</td>
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<td>Stage 2 deferred</td>
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<td>34</td>
<td>Registers of Scotland</td>
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<tr>
<td>35</td>
<td>Sportscotland</td>
<td>133</td>
<td>Shortlist Approved</td>
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<td>36</td>
<td>Scottish Court Service</td>
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<td>Stage 1</td>
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<td>Legal Services Ombudsman</td>
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<tr>
<td>38</td>
<td>Mental Welfare Commission</td>
<td>70</td>
<td>Move deferred</td>
<td>-</td>
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<td>39</td>
<td>VesCo</td>
<td>10</td>
<td>Stage 2</td>
<td>-</td>
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<tr>
<td></td>
<td><strong>SUBTOTAL</strong></td>
<td>1,869</td>
<td></td>
<td>1,869 under review</td>
</tr>
</tbody>
</table>
APPENDIX 2

SCOTTISH EXECUTIVE RELOCATION POLICY

ACCOUNTANT IN BANKRUPTCY COSTS

One-off Costs

Recruitment

Year 04/05 - £3k
Year 05/06 - £16k plus £6k on advertising

Training

Year 04/05 - £27k
Year 05/06 - £23k

Building Fit Out

Temporary Office in Irvine  £128k
Kilwinning

Additional Rent or Lease Costs

Temporary building in Irvine – Rental £143k per annum; Rates at £70k per annum. (Occupied from October 2004 to March 2005 at cost of £320k).

Temporary building in Edinburgh – Rent/Rates £112k; Services charge of £16k per annum (Occupied from June 2005 until end of 2006 at cost of £202k).

Annual Running Costs/Savings

Additional Rent or Lease Costs

Savings of £144k pa (Edinburgh was £428k pa; Kilwinning is £284k pa)

Rates

Savings of £89k pa (Edinburgh was £144 pa; Kilwinning is £55k pa)
SNH RELOCATION
I note from press reports that SNH has put the cost of relocation at £17 million if the new office in Inverness is leased, or £27 million if the office is purchased. However the attached news report suggests that this figure covers the period 2003 to 2011. Unfortunately the SNH press release does not refer to the costs of the exercise.

At the Finance Committee meeting on 13 January 2004, Tavish Scott, then Deputy Finance Minister, claimed that the costs of relocation should be considered over the longer term, indeed he made reference to the Treasury Green Book rules which require a calculation over 30 years. Also at that meeting, the Deputy Minister suggested that the committee would receive further advice on the costings.

I would ask you to clarify the current position for the benefit of the committee and to ensure that costs of the relocation are reported consistently.

Yours sincerely

ALBIE O’NEILL
Negotiations Officer

TAXPAYERS TO FACE £27M BILL FOR SNH RELOCATION
Date: 23.02.06
The move by Scottish Natural Heritage from Edinburgh to Inverness will cost the taxpayer up to £27 million, it emerged yesterday.

The Scottish Executive-enforced flit has cost thousands of pounds in redundancy packages after only 51 of about 240 staff based in Edinburgh agreed to move north. They will receive £10,000 to move and a further £10,000 if they are still in Inverness in two years.

SNH leaders also admitted it had been difficult to locate staff for specialist posts in the Highlands.

Chairman John Markland and chief executive Ian Jardine are now working from temporary offices at Moray House in Bank Street, Inverness, ahead of a move to the agency’s new HQ being built at Wester CRAIGS, on the outskirts of the city.

However, neither will move to the city permanently. Mr Markland will retire in June, and Mr Jardine said he was renting in the city.

He said: "If I tried to move house and move SNH in the same year, one of them would not go very well and, domestically, it is not a very good time. My wife and children are not keen to move from our home in Perth and I am not pushing it."
Even SNH’s relocation director, Ian Edgeler, will not be moving to the Highlands as he says he will be retiring from the organisation within the next few years.

The move will cost £27million if the executive decides to buy the new HQ building. If it decides to rent, at £1million a year, the move will cost £17million from 2003 to 2011.

SNH hopes to make £1.9million from the sale of its existing two buildings in Inverness, at Ardconnell Terrace and Culduthel Road, and one in Edinburgh. By the end of the year, over 200 people will work for SNH in Inverness.

That is likely to rise to as many as 250 staff out of about 800 nationally. In Edinburgh, 50 SNH staff will remain in leased accommodation, falling to 25 by 2010. By the end of March, 112 staff will have received redundancy packages.

Mr Jardine said it had been difficult to find new staff in the Highlands for specialised positions.

"In terms of recruiting to corporate services, finance, human resources, I am not aware there has been any problem recruiting in Inverness, but the specialist ones are harder to recruit for."

Highlands and Islands SNP MSP Fergus Ewing said: "The £27million figure is an absurdly high cost for the relocation of this body. That is approximately half a million pounds per relocated job if only 51 people have moved up.

"I suspect 99 out of 100 citizens of Inverness could find 100 better ways of spending £27million of public money.

"My only hope is that when they come to the Highlands, SNH bosses will stop ignoring the views of Highlanders on fishing, farming, forestry and the Highland economy."

Highlands and Islands Conservative MSP Mary Scanlon said: "The 51 staff who are moving up is well below even the lowest estimates, the lowest at one point estimated was 70.

"This was badly handled and badly planned by the executive in the middle of an election in April 2003. It has been fraught with difficulties ever since."

Mr Markland said although the agency had fallen short of transferring a third of its Edinburgh workforce to Inverness, he was pleased with how the relocation had gone. It is expected to be completed by 2010.

The executive has been keen to relocate other agencies from the capital to other parts of Scotland and Mr Markland said SNH’s move could serve as a blueprint for other agencies.

He added: "If you had asked us at the start, we would both have said we
thought something bad was going to happen in the next two or three years. It hasn't."

Meanwhile, the SNP claimed fewer than 100 of a possible 10,000 civil service jobs have been relocated to Scotland.

It said Gordon Brown boasted of jobs being moved to Scotland under the Lyons review of public-service job relocation. However, the figure that emerged from answers to parliamentary questions indicated 94 jobs relocated to Scotland out of a total of 9,800, SNP MP Stewart Hosie said.

"This is paltry," the Dundee East MP said. "Gordon Brown should explain how he is going to increase the number of civil service jobs going to Scotland."

"Otherwise this will be seen as another example of him using smoke and mirrors as he forsakes his own country."

The SNP said the chancellor announced in March last year that the first 7,800 jobs were being moved out of London, then said in December that a further 2,000 posts were being moved.

Only two government departments had indicated that any jobs were going to Scotland, the SNP said.

The SNH also announced yesterday the agency was developing a new "species framework" at the request of Deputy Environment Minister Rhona Brankin and in March would publish a list of the 20 species most in need of protection.

END
Correspondence from Deputy Minister for Finance and Public Sector Reform 28 April 2006

RELOCATION OF SCOTTISH NATURAL HERITAGE

Thank you for your letter of 1 March regarding the letter of 27 February from Albie O’Neill on behalf of the Public and Commercial Services Union. Mr O’Neill was concerned about clarifying the costs of relocation of the SNH HQ to Inverness as quoted in the press on 23 February.

You will wish to note that the figures quoted are drawn from SNH’s revised project plan which was lodged with SPICE and made public in March last year. I understand that when the Chair of SNH briefed the media about this he made clear that the figures quoted were short term net extra cash costs which were of most interest to the media. He also indicated that there were other figures available that captured costs and benefits over a much longer period.

In addition to the short term costs (from 2003 to 2011) which are as quoted in Mr O’Neill’s letter, the project plan gives an estimate of the net extra cash costs of relocation over the period 2003 to 2036. These are approximately £13 million for the purchase option and £43 million for the leasing option. More information is available from the project plan.

When Tavish Scott appeared before the Finance Committee in January 2004 he referred to the need to consider the costs of relocation over the longer term and used 30 years as an example as opposed to one or two years. For avoidance of doubt, in terms of Relocation Policy to achieve consistency the costs and benefits of any move will now always be expressed in net present value terms over 15 years unless a project will take longer to complete. This is the preference set out in the Treasury Green Book, and the costs and benefits analysis of the policy will always be reported to the Finance Committee in these terms in future.

I hope this will help reassure you and Mr O’Neill that the costs of relocation are being treated consistently.

GEORGE LYON
Finance Committee

18th Meeting 2006, Tuesday 20 June 2006

Scrutiny of Financial Memorandum – Evidence on the Adult Support and Protection (Scotland) Bill

1. The Adult Support and Protection (Scotland) Bill (“the Bill”) was introduced to parliament on 30 March 2006. The Health Committee has been designated the lead committee for the Bill at Stage 1.

2. The Finance Committee agreed at its meeting on 9 May to adopt a level 3 approach to its scrutiny of the bill. Specifically, the Committee agreed to issue its standard questionnaire to potentially affected organisations and take oral evidence from COSLA followed by evidence from Executive officials.

3. At its meeting on 13 June, the Committee took evidence from representatives from COSLA. The Committee will take evidence from Scottish Executive officials on 20 June.

4. In addition to the submissions issued for last week’s evidence session, responses have been received from the Care Commission and NHS Grampian. NHS Lothian and COSLA have both submitted revised responses, and these are all attached.

Kristin Mitchell
Assistant Clerk
Submission from the Care Commission

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, the Care Commission responded to the Regulatory Impact Assessment on the Bill. We did not comment on financial implications at that stage.

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.

Care Commission employees will need to participate in the one-off training programme funded by the Scottish administration. However, we anticipate that for certain frontline staff additional level 1 training may be required. Given the number of services for adults regulated by the Care Commission we estimate 100 Care Commission Officers would require this and the estimated cost is £10,500. However, this may be reduced if the Care Commission is able to utilise multi agency training provided by local authorities.

The Care Commission’s role in investigating complaints in registered services means that it is likely to have a significant role early on in the investigative process. Therefore, 2 staff from each of our 5 administrative Regions will require level 2/3 training. Estimated costs of £5,000.

Costs related to exchange of information between the Care Commission, local authorities and other bodies are extremely difficult to estimate. However, from previous work undertaken in relation to the creation and implementation of information systems we estimate additional expenditure of £50,000.

The Care Commission expects that increased awareness of adult abuse issues may well lead to a rise in the number of complaints investigated by the Care Commission. Complaints Resolution Officers resources may need to increase. We estimate this may mean an additional 2 posts at Team Manager level the total cost is £116,000 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?
No, the Care Commission’s operating budget is predicated on current responsibilities. Therefore, the increased activity related to the Bill needs to be reflected in the annual financial settlement.

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, there is a margin of uncertainty at this stage. Therefore, the Care Commission has based this response on projections.

**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 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?

A commitment to a review of actual costs incurred at the end of the first year of implementation of the Act would be a reassurance to the Care Commission.
Submission from COSLA (Revised)

1. COSLA welcomes the opportunity to give evidence about the financial impact of the Adult Support and Protection Bill. The area of adult protection is relatively new and it is extremely difficult to anticipate the cost impact of the implementation of such a high profile, wide reaching interagency piece of legislation. It is our view that it would be foolhardy to introduce this Bill without adequate funding.

2. The comprehensive research and consultation undertaken by the Scottish Executive in this unprecedented area has been welcome and is acknowledged.

3. On consideration and with further investigation the following comments are offered about the financial memorandum as set out in the Bill papers.

4. These comments fall into three categories
   - General comments
   - Underestimated costs
   - Unidentified costs.

General comments

5. There may be a view that the ASP Bill should not be costly to implement – this may be related to a view that this is work that we are all already doing.

Some comments

- Since the Community Care and Health (S) Act in 2002 -and the shift in the balance of care – there has been a gradual build up of situations that involve risk and abuse in the community – involving both victims and perpetrators. The gradual nature of this process has meant that services have been incrementally pressurised in the absence of any recognition/audit of this trend.

- Although this is work councils attempt to do at the moment - the Scottish Borders Inquiry highlighted the pressures on services, the absence of consistent practice in risk assessment, investigations/interventions, information sharing, recording, managing/resolving conflict, and staff development/training strategies plans. It is likely that elements of these findings would be found across the country. In sum, councils do not and have never undertaken this work in a standardised, consistent and robust manner.

   The requirements that are now being laid down by various inspection reports rightly introduce standards and expectations of robust procedure and practice. This is new and additional work.

6. Assumptions have been made in the past about the" lifespan" of an Adult protection case. It is important to note that, unlike other aspects of Social Work, a substantial number of these cases are chronic/ongoing and will require a continuing service response and delivery from childhood through to mid/late adulthood. This observation has been recently validated by the monitoring scheme put in place across Lothian and Scottish Borders. Therefore, in terms of cost the impact must be
seen as largely accumulative rather than merely an increase in single episodes of assessment. In effect this means that a large element of the funding allocated will need to be recurring rather than on a one off basis.

7. The Bill suggests that raising awareness will create a surge of referrals and that this will largely settle down. It is COSLA’s view that this could be quite misleading. There is increasing evidence to suggest that the levels of abuse, neglect and exploitation are substantially underestimated and unidentified. Recent research suggests that 1 in 4 people know about someone who has been abused, neglected and/exploited, and 1 in 8 older people experience elder abuse. With an ageing population, a growing awareness of abuse and increased expectations on services it is unlikely that the demand on services will settle – if anything it will continue to grow and our services will have to allocate more and more resources responding to very high tariff situations. If this is not recognised and adequately funded it will undoubtedly be at the expense of other /different needs (e.g. a response to alleged abuse may have to be prioritised over the needs of frail older people, those with chronic mental health needs, carers needs etc).

Underestimated costs and impacts

The Introduction of Adult Protection Committees (APC) – local authority lead

8. This is a new responsibility. The memorandum has assumed that the cost of the APC will be absorbed by the Adult Protection Unit. It should be noted that not all local authorities will choose to set up an Adult Protection Unit so the cost of setting up and sustaining a Committee will need to be further quantified. It will need to take in to account

- Development time – interagency negotiation about membership, establishment of constitution, consideration of local needs etc
- Costs associated with membership – travel expenses etc for carers, service users
- Actual time input – including the cost of an Independent chair, payment to medical practitioners, additional responsibilities for a range of staff
- Training
- Administrative costs

9. It is recognised that a significant amount of the work generated by the APC might be absorbed by mainstream remits and responsibilities but there will be occasions when there will specific additional costs – e.g. setting up significant risk subgroups to manage/monitor challenging behaviour/offending behaviour in the community.

10. Another substantial challenge with cost implications is the involvement /engagement of other professionals such as General Practitioners. The cost for attendance at one Adult Protection Committee meeting or case conference would be approx. £300. Will this cost need to be borne by the LA?

The introduction of Adult Protection Units
11. Further work needs to be done to clarify the function of the APU – primarily to agree whether this will be a Practice Unit or a Planning/Strategic Unit that supports
the Adult Protection Committee – or both. Our understanding is that the model referred to in the financial memorandum strives to do both and it is our view that this is unsustainable with the resources outlined – particularly for the larger authorities. Some authorities will choose not to set up an APU in preference to keeping adult protection work part of mainstream practice.

12. If an APU is to be set up, there is a view that this should consist of at least two practitioners and one Team Leader/Adult Protection Officer (who would straddle both management and strategic activities), a training officer and two administrative assistants. The cost of this type of Unit would be approx £190,000 pa. If scaled up to cover Scotland on a population pro rata basis (+ 50 times) this model would cost £9,500,000

**National cost: £9,500,000**

**The Introduction of Strategic Development Officer Posts/Units**

13. The memorandum supports the introduction of strategic development officer posts and suggests that the model used by Lothian and Scottish Borders be replicated nationally. This proposal is welcomed but it is suggested that 15 (one for each Health Board area) rather that 5 posts be introduced. The costing noted, £65,000, does not include accommodation so it would be more realistic to cost this at £80,000 per annum

**National cost: £1.2m per annum**

**The Role of the Care Manager - New interventions/ new duties**

14. It is accepted that at an operational level the overall effect of including the new duty to investigate and powers to intervene, remove and exclude will be to increase the need for care manager posts in order to conduct investigations and manage subsequent services and support.

**Additional Care Managers**

15. It is misleading to compare the estimated caseload for complex care management (23) with a caseload dealing with adult protection.Undoubtedly there will be elements of overlap in these functions but there are also significant differences when dealing with high levels of unpredictable behaviour, risk and abuse. On completing the Learning Disability Audit in West Lothian it was recommended that no member of staff should have more than 6 of these cases on their caseload at any one time. In the area of Child Protection the average caseload is 15 cases.

16. The Bill estimated 4000 new referrals a year. It estimated a caseload of 23, giving rise to the need for 174 additional care managers – at a cost of approx £5m.

17. It might be more accurate to estimate on the basis of a caseload of 15 cases – 266 new care managers – at a cost of £8m

**National cost approximately £8m**
Additional Supervisory Responsibilities
18. There is no mention of the additional burdens on line management, in terms of overviewing work, attending professional meetings, chairing case conferences etc. Some, but not all of these responsibilities may be undertaken by the Adult Protection Unit as outlined. As a very minimum this would incur an additional cost to councils of the equivalent of one FTE Team Leader/Senior Social Worker at a cost of approximately £38K (with on costs included)

Nationally this would incur an additional cost of £1.2m

Additional Administrative Assistance
19. There has been an enormous increase in the administration requirements associated with Adult Protection work since the publication of the Scottish Borders Inquiry. This involves organisation, minuting and recording case conferences, tracking invitations, reports, monitoring and evaluating work. Some authorities have already found money to appoint dedicated administrative assistants. With the new and extended responsibilities of the Bill this will be essential. Most authorities will need two / three additional posts. On the basis of two posts across each LA (taking in to account some potential overlap with the admin support within the APU), at a cost of £16K, the cost would be £512,000 pa.

National cost £512,000 pa

Involvement of the Police
20. The involvement of the police will be crucial to the successful implementation of this Bill. There is evidence in Lothian and Scottish Borders that since the implementation of the local guidance and attendant training, the incidence of adult protection referrals to the Family Protection Units has risen from less that 1% to 17% (2 years).

21. The Police will be better placed to comment on the impact of the current increase in workload and cost of the anticipated growth in demand with the introduction of the Bill.

Involvement of Health colleagues
22. The involvement of a whole range of Health professionals will again be crucial to the successful implementation of the Bill. Health colleagues are central to the alert/referral stage, are often involved in supporting the investigation/intervention, attend case conferences and support adult protection plans. The Bill will inevitably cause work pressures and will undoubtedly create the need for new posts.

23. A significant area of concern for professionals in adult protection, including health professionals is the need for greater of involvement by GP’s. Serious consideration will need to be given to explore how GP’s can be freed up and/or remunerated if necessary so that they can contribute to the implementation of the Bill

Involvement of other professional colleagues
24. There will be additional demands placed on housing services, education services and across a whole spectrum of voluntary and private organisations
Unidentified costs and impacts

The role of the Voluntary Sector - Advocacy/ Mediation
25. The Bill proposes accessing advocacy and mediation services more systematically. This will create an increase in demand for these services that largely funded by the local authority. Consideration will need to be given to reflect these additional pressures on LA budgets.

Adults with Incapacity – intromitor of funds
26. There are new responsibilities outlined in the Bill that will have direct service delivery and cost implications for staff in the Mental Health and Adults with Incapacity Teams. The LA welcomes these changes, as it will be applicable to situations where there is financial exploitation/abuse. In the new system the impact would incorporate the time involved in making an application, the medical practitioners’ fees, and the administrative cost of running a bank account. Additionally, we would have to provide an annual report to the Office of Public Guardian.

27. As this is new work, it is difficult to quantify the cost. The City of Edinburgh can already identify 132 people who would benefit from this scheme. As this is not a Court process it is anticipated that the ease of access will encourage more referrals. It is estimated that it takes 9 administration hours and a further 8 care manager hours to set up and establish the scheme for each person.

Training costs
28. The cost of training has been largely omitted from the financial memorandum. The costs of some supporting materials and employee information materials have been included.

29. The Bill will require substantial funding for training and development, some on a one-off basis but some will require to be on a recurring basis. The challenges faced by the Lothian and Scottish Borders training programme suggest that 1) there is a substantial staff turnover which requires regular and robust induction programmes and 2) this area of practice is changing very rapidly requiring regular updates and continuous staff development.

30. As an example:

In West Lothian, on an interagency basis,
5025 staff attended a 3-hour briefing session, at a cost of approx £100 each - £502,500

820 staff attended a full day training session at a cost of approx £200 each - £164,000

Level 3 training will be delivered to at least 100 practitioners at a minimum cost of £300 (£30,000)

Total £696,500
31. It is important to emphasise that this Bill introduces a cultural change in the way people work across the Health, Police and Care services. This will require elements of change management which will require an organisational response. This will largely be absorbed in mainstream funding but will require that funding is made available for frontline practitioner and management positions – as outlined above.

**Recruitment costs**
32. There are recruitment costs involved for all the posts outlined above.

**Information Sharing**
33. Information technology and communication systems require to be upgraded and standardised to accommodate good information sharing and to facilitate decision making processes.

**Monitoring/Audit/Quality Assurance**
34. Good monitoring, evaluation and quality assurance systems must be financed and supported, at both a local and national level. Robust quality assurance must be at the centre of the implementation of this Bill. We must establish mechanisms that will support and sustain the collation of good quality information that can guide evidence based, cost effective service development and response across the country.

35. The cost to the Scottish Borders – LD services – transformational change

Edinburgh
13 June 2006
Submission from NHS Grampian

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?

A. Yes NHS Grampian responded to the third consultation paper on the protection of vulnerable adults and related matters. Consultation on Protecting Vulnerable Adults – Securing their Safety (23.9.05). Also, Protection of Vulnerable Adults (Scotland) Bill, Partial Regulatory Impact Assessment (10.2.06)

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

A. No one in NHS Grampian appears to have had sight of the Financial Memorandum unless this is the same as the RIA.

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

A. No. The timescale did not allow full consideration to be given by all the managers who ought to have been able to respond to this. Under pressure, a response was quickly collated from those who were able to reply by the tight deadline.

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.

A. Based on the RIA (see comment above), it did not accurately reflect the cost implications for the NHS and that future costs associated with the Bill eg additional legislation, will potentially have cost implications for the NHS.

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?

A. Taking account of comments above, NHS Grampian would have difficulty in absorbing additional costs. The organisation would either have to reprioritise existing resources, shifting investment from other services, or seek additional SEHD funding.

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?

A. See response to (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?
A. No. See also comments 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?

A. See comments above. It would be very difficult at this stage to quantify costs.
Submission from NHS Lothian (Revised)

The Bill is welcomed on behalf of NHS Lothian, and sees this, and anticipated supporting Guidance from the Scottish Executive as being a formal framework against which we can all work in a collaborative manner to support staff who have to deal with very complex matters, and who endeavour to achieve the right balance between the need to protect and support, and the right of people to achieve self determination for those in our communities and various institutions.

As it is the Local Authorities who have the lead and statutory responsibility for Adult Support and Protection, the majority of the costs will affect them, however owing to the collaborative nature of this complex work, other agencies including Health and Police, there will undoubtedly be additional costs associated with the implementation of the Bill for Health.

Yours sincerely,

ALISON MCCALLUM
Director of Public Health & Health Policy

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.
The opportunity to comment on the financial implications is welcome, however at the time of the consultation there were no specific financial assumptions made to comment upon.

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

Within the Memorandum, it has been helpful to reflect upon the current work undertaken in Edinburgh, Lothian and Scottish Borders, for others to comment upon. Clearly we are in new territory and it may take reflection over the next few years following introduction of the Bill, to provide a more accurate picture of associated costs.

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
**Adult Protection Committees**
If independent contractors, such as GPs, are to be involved in adult protection committees they may well require additional funding to pay for cover in their practices. Similarly, involvement of potential users as members with expertise by experience will require their costs to be refunded.

**Adult Protection Units**
The cost of setting up Adult Protection Units across Scotland estimated within the Memorandum, of £7.5m, is considered to be realistic, as this is indicated to allow for the fact that some larger authorities, with a greater population density or geographical area, may require a larger Adult Protection Unit. The costs though do need to be seen in the light of them being required on a continuous basis.

**Operational Costs for Investigations and appropriate Support**
Although the majority of the costs associated with the operational undertaking of investigations and support, will be within the local authorities, there will be occasions when NHS staff are involved in removal and assessment orders, where medical examinations, (carried out by either medical, nursing or midwifery staff), are required, as well as assistance with enquiries and investigations.

It has been helpful that the early work that you have done, which has been informed by the Edinburgh, Lothian and Scottish Borders Advisory Group, indicates that for Scotland in the region of 4,000 referrals will be made, requiring 174 additional Care Managers across Scotland at the cost of £5,111,250 per year.

Some costs have been identified for Police involvement.

The cost of NHS staff, is as yet not quantifiable, however there must be a recognition within the Memorandum that there will be additional costs associated with the additional activity in their supporting role, as well as the ongoing costs associated with line management and supervision and peer review audit. It would be helpful if the funding allocated reflected this, with agreement that implementation funds are allocated across the spectrum of agencies, with close recording and monitoring of input from each agency, in order that costs associated to each organisation is measurable. It is often the case that these costs are underestimated. It may be that in future the costs are allocated on the proportion of severity and complexity of cases that each area has to deal with.

**Training Costs**
It is acknowledged within the Memorandum that there is likely to be increased costs, particularly associated with specialist training for

- Risk assessment
- Risk management
- Effective investigation and
- Case conference chairing
It should be expected that some of the costs are contained within the Adult Protection Units, and existing training budgets, however the illustrative national costs within the Memorandum, based upon the experience in Edinburgh, Lothian and Scottish Borders, for the additional training and induction materials of £394,500, may be underestimated. The requirement to produce additional materials for induction of new staff, and changes when legislation and national guidance is updated will be a continuous and costly process.

It must be recognised that the materials described are for use by all agencies across the local authority, NHS and Police partnerships, and guidance within allocations should reflect this.

It is noted that the national estimate does not include the interagency training for each of the three levels, ranging from £100-£300 per person, with the potential for a cost of £500 per day for an external trainer to be purchased. This is likely to be a significant requirement, and should be considered within the national plan.

**Costs to Health Boards**

It is interesting that the Memorandum indicates that the costs to us would be low; the interagency role that is required to undertake Protection and Support for adults seems to have been terribly underplayed.

The training at level 2 and associated materials for Edinburgh, Lothian and Scottish Borders cover the NHS element and Police costs, this needs to be reflected as partnership funding when allocations are made.

The cost for Level 1 Training is predominantly met through the NHS Lothian Training & Organisational Development Department, however the rising cost of releasing staff to attend training is becoming more difficult to meet, and we remain committed to ensuring our staff are appropriately prepared to be aware of the signs of suspected abuse and know what appropriate action to take.

The associated costs of NHS staff involvement in the adult support and protection roles described above is not included. There is a view that as increased awareness occurs, so too will increased cases of suspected abuse, resulting in a far greater requirement for NHS staff to be involved in the assessment, investigation and interventions.

Additional costs that may arise are from the Board’s requirement to govern and performance manage as well as contributing to inquiries by funding independent external reference groups, giving and receiving staff to act as independent assessors and funding the clinical and managerial leadership development required to ensure that the new regulations are applied.

The costs of doctors and dentists and, in future, nursing and allied health professionals, appearing in court and producing court reports does not seem to have been considered. Additional administration time or time away from
base needs to be covered through a combination of covering absence and service redesign, that in part may need to be funded.

Cost of Information Exchange
This includes rapid introduction of SCI store, technical fixes for GPASS so that adults with caring responsibilities, particularly for other members of the family, can be identified easily. Our experience with children is that linking parents and children is difficult and we would urge that resources are devoted to addressing this problem as it affects vulnerable people of all ages.

Specific infrastructure –technical and behavioural- needs to be in place before we can guarantee the quality of information sharing and its governance. The costs of implementing e-care will be a useful guide.

Putting protocols in place is not cheap if engagement with the process is to deliver improvement – investment in time and in developing champions is required.

Amendments to other Acts
It is helpful to note that there should be no additional costs to the NHS in these amendments.

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?

No

The ability to meet the financial costs associated with the Bill needs to be seen in a collaborative manner, across the local authority, NHS and police interface. If one partner is unable to meet the costs, this puts at risk the quality of identification, assessment, support and interventions.

There are substantial costs required to meet the ongoing needs identified within the Bill. It may be more helpful for partnership areas to respond collectively in the future.

The costs should be met in part through appropriate absorption within current systems such as training and development. However, the evident need to employ an additional 174 Care Managers, to deal with the anticipated 4,000 referrals per year, may result in a rebalancing of local authority resources from other areas, which may have an adverse impact on the whole system.

The additional Care Managers will undoubtedly result in a knock on effect within the collaborative partnership, indicated above. Additional resource, although not currently quantifiable, needs to be supported.

The additional resources thereafter to meet the requirements within the Bill should be funded by the Scottish Executive; this will indicate to collaborative partners and the public, that there is a commitment at the highest level to manage this matter.
Any additional costs falling on Health are not currently included within approved financial plans. Therefore if no additional funding is made available then prioritisation against a range of other competing priorities will require to be made.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates, and the timescales over which such costs would expect to rise?

The timescales seem reasonable.

As identified earlier in this response, there seems to be an under estimation associated with the costs, particularly to the NHS. In general, we are dealing with an unprecedented area of work, that needs to undergo a period of reflection about implementation in order to adjust accordingly.

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?

The associated amendments to the various Scottish Acts highlighted in the report, indicates, at this point, that no additional costs should be incurred by the NHS.

Acts highlighted;
- Adults with Incapacity Act 2000
- Social Work Act 1968 in respect of
  - Direct Payments
  - Ordinary Residence
  - Liable Relatives
- Mental Health Act 2003

This is reassuring.

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?

This is at present difficult to answer, as indicated, this is unprecedented work.

It is anticipated that the Scottish Executive will develop and issue Guidance to support the Bill, in a timely manner, to provide agencies with a framework against which to support this very complex work.
Finance Committee

18th Meeting 2006, Tuesday 20 June 2006

Scottish Affairs Select Committee – Inquiry into Poverty in Scotland

1. The Scottish Affairs Select Committee is undertaking an inquiry into Poverty in Scotland and the press notice launching the inquiry is attached.

2. Given that the Finance Committee has completed its Cross-Cutting Expenditure Review of Deprivation, it is suggested that the Committee could consider submitting evidence to the inquiry. A draft submission is attached for discussion.

3. The Committee is invited to discuss the submission to the Scottish Affairs Select Committee inquiry.

Susan Duffy
Clerk to the Committee
22 May 2006

POVERTY IN SCOTLAND

The Scottish Affairs Committee has agreed to undertake a major inquiry, to start when the House returns after the summer recess, into Poverty in Scotland. The Committee will proceed in stages, producing Reports as the inquiry progresses. The inquiry will begin by addressing such issues as:

- What is poverty?
- The extent of poverty
- Contributing factors
- Impact of Government policy on poverty.

The scope of the inquiry, which will cover poverty in both urban and rural areas of Scotland, will also include the availability of affordable money and the activities of loan sharks, as well as major Government programmes, such as Welfare to Work.

The Committee welcomes written evidence from interested parties on any, or all, aspects of the inquiry by 6 October 2006. The Committee will be arranging a series of public oral evidence sessions, and details of these will be announced in due course.

Submissions should be in Word or rich text format and sent by e-mail to scotaffcom@parliament.uk. The body of the e-mail must include a contact name, telephone number and postal address. The e-mail should also make clear who the submission is from.

Submissions must address the terms of the inquiry. They should be as brief as possible, and certainly no more than 6 sides of A4. Paragraphs should be numbered for ease of reference, and the document should include an executive summary.

The following are members of the Committee:
Mr Mohammad Sarwar MP (Lab, Glasgow Central) (Chairman), Danny Alexander MP (Lib Dem, Inverness, Nairn, Badenoch and Strathspey), Gordon Banks MP (Lab, Ochil and South Perthshire), Ms Katy Clark MP (Lab, North Ayrshire and Arran), Mr Ian Davidson MP (Lab/Co-operative, Glasgow South West), Mr John MacDougall MP (Lab, Glenrothes), Mr Jim McGovern MP (Lab, Dundee West), Mr Angus MacNeil MP (SNP, Na h-Eileanan An Iar), David Mundell MP (Con, Dumfriesshire, Clydesdale and Tweeddale), Mr Charles Walker MP (Con, Broxbourne) and Mr Ben Wallace MP (Con, Lancaster and Wyre)
Submission to the Scottish Affairs Committee

Introduction

1. The Finance Committee is a mandatory committee of the Scottish Parliament and its remit is to:

   To consider and report on:

   (a) any report or other document laid before the Parliament by members of the Scottish Executive containing proposals for, or budgets of, public expenditure or proposals for the making of a tax-varying resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;
   (b) any report made by a committee setting out proposals concerning public expenditure;
   (c) Budget Bills; and
   (d) any other matter relating to or affecting the expenditure of the Scottish Administration or other expenditure payable out of the Scottish Consolidated Fund.

2. The Committee has undertaken a number of expenditure reviews into policy objectives which cut across more than one Scottish Executive department. We have recently completed a such a review into expenditure on deprivation and believe this report will be of interest to the Scottish Affairs Select Committee. The full report together with all written and oral evidence, commissioned research and briefing papers can be accessed via the following link:

   The Scottish Parliament - Finance Committee Report

   We received an interim response from the Scottish Executive to our report and this can be accessed via the following link:

   Executive response

   Finally, the report was debated by Parliament on 7 June and the official report of that debate can be accessed via:

   The Scottish Parliament - Official Report

3. Whilst your Committee is investigating poverty in Scotland, the Finance Committee’s inquiry focussed on deprivation as although terms such as poverty and deprivation are used interchangeably when they are in fact related concepts, they are distinctive for policy and budgetary purposes. Poverty is defined in terms of income – the adequacy of a household’s financial resources to meet its basic needs and it tends to be tackled through universal programmes such as benefits available to all eligible citizens.
4. Deprivation can be seen as more complex, referring to unmet need caused by a lack of resources, including finance. In a recent review, it was defined as:

“A multi-dimensional concept, concerned not merely with material goods but also with the ability to participate in social life. It is a relative concept where standards are defined in relation to social norms and expectation. Poverty and deprivation are seen as interlinked as cause and outcome. Both financial resources and outcomes should be captured in measure of multiple deprivation” (Scottish Indices of Deprivation 2003)

5. As a Committee of the Scottish Parliament, we did not examine budgets which are reserved to Westminster (e.g. the benefits system). However, the Committee noted that post-devolution, the Scottish Executive committed itself to work in partnership with the UK government, which is entirely appropriate given that spending on benefits and employment-related programmes which clearly have a bearing on tackling deprivation come from UK government departments. A number of programmes have been introduced since 1997 by the Scottish Office and taken forward by the Scottish Executive since 1999 which were designed to help people into work or further and higher education, such as childcare and Education Maintenance Allowances.

Overview of Report

6. A summary of the Committee’s main recommendations with paragraph numbers to allow cross-referencing with the Committee’s report is given below. As you will see from this, the Committee was concerned that although the Scottish Executive has provided more resources for initiatives aimed at tackling deprivation, there is a lack of clarity on the eligibility for funding and an unnecessary bureaucracy has been created through the various funding streams. This means that it is difficult to assess what progress is being made on tackling deprivation and how effectively the money is being spent.

7. Apart from specifically targeted funding streams, core budgets of local government and the health service provide services that have a significant impact on deprived areas. There is also European money and funds sourced from the Department of Work and Pensions e.g. through JobCentre Plus and this adds to the confusion.

8. The Committee recommended that the Executive should establish a single fund to combat deprivation which would merge existing funding streams and allow the introduction of supplementary funding, ensuring best value. Implementation of the fund would require that national performance indicators should be introduced alongside “outcome agreements” reached by Community Planning Partnerships (CPPs) for each local authority area. This would mean that the success of local and national efforts to overcome deprivation would be monitored systematically. For your information, CPPs were introduced by the Local Government in Scotland Act 2003 whereby local authorities were required to initiate, facilitate and maintain a Community Planning Process involving core partners such as health boards and police.
Executive Summary of the Committee’s Report

9. Deprivation policies have existed in varying guises over many years, but there are still too many areas in Scotland characterised by concentrations of multiple deprivation. Whilst there have been regeneration success stories, in other areas change has been limited or partial, preventing further spiralling decline rather than transforming the life chances of local people and the prospects for the community. *(paragraphs: 19-26, 30-33)*

10. There is a need to recognise that a majority of individuals and families who are deprived in Scotland do not live in the 15% most deprived communities, although there is no doubt that deprivation is most concentrated in these predominantly urban areas. Deprivation exists in rural as well as urban areas, but unlike urban deprivation, rural deprivation cannot be tackled by focusing investment on areas where deprivation is concentrated. Despite the inclusion of an access domain, the Scottish Index of Multiple Deprivation (SIMD) – which identifies the most deprived areas across Scotland is not suitable as a basis for allocating resources to tackle rural deprivation. *(paragraphs: 19-26, 156-164)*

11. The Committee looked at issues of delivery and the problems associated with short term funding of social economy and voluntary delivery agencies. It recommends that the Scottish Executive examines how the process by which funding is either granted or withdrawn from projects could be made more transparent, with the aim of improving quality and value for money. It would be particularly helpful if a mechanism could be put in place so that successful pilot projects that meet clear evaluation criteria could be considered for longer term funding. Consideration should also be given to establishing an innovation fund which would encourage delivery organisations to take new ideas forward to the pilot stage. *(paragraphs: 39-44)*

12. The Committee recommends that there should be much greater clarity in the roles and responsibilities of partners – particularly local authorities and Communities Scotland. [Note: Communities Scotland is an Executive Agency whose primary role is as the Executive’s main delivery agency for housing and community regeneration. The Executive established a £318m Community Regeneration Fund (CRF) and Community Planning Partnerships are obliged to set out how they intend to use the CRF alongside their own mainstream resources through three year Regeneration Outcome Agreements. The development and delivery of ROAs are overseen by Communities Scotland]. A shift to more extensive use of a contractual approach, where providers tender to deliver clearly defined outputs would greatly increase transparency and improve performance. The introduction of competition between delivery agencies would necessitate a robust performance monitoring framework linking allocations to expected outputs to ensure money is used to best effect. *(paragraphs: 67-80)*

13. There is a fundamental conflict in the roles of Communities Scotland in the process of approving and monitoring the new Regeneration Outcome Agreements (ROAs) as they are simultaneously strategic partner, project sponsor and adjudicator. Despite claims from Ministers, the new system does not appear capable of “bending the spend”. The bureaucracy involved in the
allocation of CRF monies is massively disproportionate, especially for those local authority areas which receive small sums from the Fund and even in those areas that receive substantial sums the approval system is seen as unnecessarily burdensome. (paragraphs: 55-66, 134-155)

14. In order to link projects to national, strategic priorities and outcomes more effectively, the Committee has advocated the use of outcome agreements. The Committee felt that in order to facilitate a more co-ordinated and strategic approach both at Executive and at local level, the proposed system of Local Outcome Agreements (LOAs) (currently under development by the Executive and intended to link national policy priorities with local service outcomes and to allow local authorities and other delivery agents the flexibility to deliver local solutions to local problems) should be brought together with ROAs. The Committee believes that there should be a single agreement arrived at by the Community Planning Partnerships (CPPs). (paragraphs: 40-54, 67-80)

15. Councils and their partners should agree their intended outcomes and the steps they will take to ensure these are delivered and seek approval from the Scottish Executive as part of their contribution to achieving agreed national outcomes. The approval process should include those deprivation specific funding elements currently covered in ROAs and agreed through CPPs and deprivation linked monies given to local authorities through Aggregate External Finance (AEF). (paragraphs: 67-80)

16. Authorities with significant levels of deprivation do receive additional support through both Revenue Support Grant (RSG) and specific grants. While there is some added flexibility in the use of specific grants, as a result of the introduction of the new ROA system, the Committee believes greater accountability and better effectiveness can be achieved by removing ring-fencing of resources allocation, giving local partners greater scope to identify local priorities and implement partnership outcome agreements. (paragraphs: 34-38, 59-66, 91-96, 97-114)

17. The Committee was impressed with the approach being adopted by Glasgow City Council where the Community Planning Partnership is considering whether it can devise a single structure that would meet organisations’ requirements for measuring outcomes and auditing spending of public money, which would be much simpler for organisations. (paragraphs: 45-49, 67-80)

18. The Committee was strongly of the view that the approval and monitoring of the implementation of such outcome agreements should be a matter for the Executive rather than Communities Scotland. (paragraphs: 67-80)

19. As it is some time since deprivation weightings were reviewed for Grant Aided Expenditure (GAE) purposes, the Committee recommends that they be revisited before the next Spending Review allocations. In particular the Committee recommends that Executive reviews the scope for additional weightings within the funding formula, as there are a number of treatments where a deprivation weighting does not exist but appears plausible. (paragraphs: 81-84, 85-90, 97-114)
20. The Committee recommends that the National Priorities Action Fund, the former Excellence Fund and the Anti-Social Behaviour programme should be reviewed as they were identified as benefiting deprivation, but this does not appear to be reflected in the allocations to authorities with high levels of deprivation. The Committee also recommends initiating a more fundamental review of the whole system, recognising that major structural changes could only be implemented in the longer term. (paragraphs: 115-125)

21. The Committee recommends that the current safety netting for authorities which sets a minimum level of increase in GAE should be reviewed in line with the way in which the Barnett formula works for Scottish Executive spending to provide those authorities with a population loss a longer timeline to manage any reductions. (paragraphs: 115-125)

22. In line with the leader of Glasgow City Council’s suggestion that “it would be more productive for the Executive to allocate funds having taken account of deprivation issues and not to specify exactly how they should be spent but what outcomes they should deliver” the Committee recommends that CPPs should be given more discretion in determining how the balance of available funding should be directed toward area as opposed to individual or family deprivation. (paragraphs: 91-96)

23. To complement this, the Committee recommends that the Executive needs to simplify and better co-ordinate the funding streams it has initiated with the aim of tackling deprivation and Closing the Opportunity Gap. To bring together funding streams coming from different Executive departments, the Committee recommends that the Executive should consider establishing a single deprivation fund which should supplement existing area-based programmes with funding to tackle the wider problems of household deprivation. Therefore, a single deprivation fund could incorporate all schemes aimed at tackling deprivation (Community Regeneration Fund - £106m, Housing Estate Regeneration Fund - £17m, Working for Families Fund - £12m, Tackling Anti-Social Behaviour - £30m and Education Deprivation from GAE - £65m) plus new monies to deal with wider problems of deprivation which could come from the growth monies in the next Spending Review. (paragraphs: 34-38, 126-133, 156-164)

24. This fund could also require some element of matching funding from the local authority to demonstrate clearly that this constitutes additional funding over standard spending on public services. (paragraphs: 156-164)

25. The introduction of a single deprivation fund requires that alongside outcome agreements reached locally, there should be a narrow range of national performance indicators which can be monitored annually so that progress with deprivation can be monitored systematically. The current Spending Review approach using targets means performance for SR2004 will not be reported within the current session of Parliament. The Committee wants to move to a situation where the money spent on deprivation can be monitored so that it delivers better results to suit local circumstances and priorities. (paragraphs: 156-164)
26. Such an approach, combined with the introduction of partnership outcome agreements would inevitably help to break down barriers and would bring together a variety of funding streams and would make it easier to track spending on deprivation. (paragraphs: 34-38, 91-96, 134-155)

27. This has been a wide-ranging and complex inquiry and the Committee believes these recommendations can ensure we start to effect significant and not marginal change.
Efficiency Technical Notes March 2006, report by the Budget Adviser

1. The third version of the Executive’s Efficiency Technical Notes (ETNs) has now been published. These set out how savings will be made and how they will be measured. The ETNs – which are supported by detailed delivery management documentation – are key source documents for monitoring and reporting savings for scrutiny purposes. As the Committee has four new members who joined after the launch of the Efficient Government Initiative in June 2004, I shall summarise criticisms of the two previous versions before advising members regarding the new document.

2. The Efficient Government drive was announced in June 2004 with a DEL savings target of £500m in cash-releasing savings in the 2007-08 Budget. The objective is to release resources from support functions for investment in frontline services. The initial target was increased to £745m in the Efficient Government Plan (Scottish Executive 2004), although this figure includes £95m of savings by Scottish Water which is outwith the DEL. For budget purposes, the target is £650m, or 2.5% of the Scottish DEL over three years. The Executive also identified some £300m of “time-releasing” savings, but as these have no budgetary implications, they are not covered in my advice to the Committee.

3. The first set of Efficiency Technical Notes was published in May 2005. In my advice at that time, I raised two major concerns over the Executive’s approach— the identification, monitoring and measurement of efficiency savings; and the tracking and reporting of the resultant growth in frontline services.

4. In terms of efficiency savings, I expressed doubts over the realism of the assumptions over saving targets, the adequacy of the data on costs and outputs, the absence of consistent baselines, and their deliverability. In the case of frontline service growth, my concern was that the Executive has combined the efficiency savings with growth monies in the Scottish DEL to create a single pot for allocation to portfolios, whether by the practice of allocating some of the growth to portfolios from other budgets, or by allowing departments to re-direct these resources within their budgets. In neither case, would the actual growth in outputs be identified. The Finance Minister reported that the output of frontline services would grow by 5% per annum over the Spending Review cycle as a result, on the basis of the existing convention in the National Accounts of assuming public sector outputs are equivalent to public sector inputs.

5. The Committee received similar advice from Audit Scotland in August 2005, who stated that in order for the Scottish Executive to monitor the achievements of savings, it required clear information for measuring the ratio
of inputs to outputs. In practice, a number of the ETNs rely solely on measuring changes in expenditure only.

6. When the second version of ETNs was published in late September, while progress with these issues had been made, I reported to the Committee that a number of cash-releasing ETNs had been revised, but most of them reflected either adjustments to the savings targets or further information regarding arrangements for monitoring and reporting of delivery. Whilst these changes were helpful, they did not constitute the substantive revisions necessary to address the Committee’s concerns over gaps in baseline information in the May document, and problems of both inadequate specification of savings and lack of output data remained.

7. These points were reported to the Executive in the Committee’s recommendations in its report on the Draft Budget in December 2005, in which it called on the Executive to revise the ETNs by establishing clear baselines to make the process more transparent.

8. I am therefore pleased to report that the Executive has responded positively to this proposal by extensively revising the template which departments use in presenting information. The new document reports that the template has been amended to take account of the Finance Committee’s recommendations and that this ‘clearly sets out the inputs and outputs that will be measured along with the baseline for measuring changes in inputs and outputs’ (Technical Notes p.6).

9. The result overall is a much improved set of Technical Notes, more tightly focussed on the inputs and outputs of specific projects, with improved information on delivery arrangements. Whilst problems of detail remain with individual project information, the new improved Notes reflect the extensive effort made by the Efficient Government Development Group to respond to the Committee’s concerns by revising its ETN template and the relevant information. We now have a much clearer picture of how efficiency savings will be delivered.

10. In the remainder of this report, I draw the Committee’s attention to the information gaps which remain for specific ETNs, and highlight some issues for its deliberation. I do so in broadly two categories, the measuring and monitoring of efficiency savings, and the tracking of growth in frontline services.

Measuring and Monitoring Efficiency Savings

11. When the initial cash savings target of £500m was announced in 2004 – to be delivered with the Gershon framework of improvements in procurements, back office recovery, transactional services, productive time and policy, funding and regulatory regimes, I reported serious doubts about their delivery. Since then, (and this is confirmed by the new ETNs), the focus of savings has expanded. Of the original Gershon calculations, only procurement and back office
recovery are delivering significant savings, whilst additional workstreams in managing absence and asset management have been added in Scotland.

12. The Executive has only limited responsibility for transactional services, and as yet, the ETNs offer few examples of the conventional political target of ‘streamlining bureaucracy’. Moreover, the Improvement Service’s evidence to the Committee confirmed that local authorities were having to make savings in frontline services as well as support services. It is important to foster a degree of political realism over budget savings, for if the Executive is to release resources to target on its ambitious strategic objectives, it will require savings in low priority services as well as efficiencies.

13. Whilst most ETNs now distinguish clearly their input/output baselines, the approach to setting out this information is inconsistent between projects, and around a dozen ETNs require better information (see Appendix 1).

14. The main problem is the differing interpretations of what constitutes inputs and outputs. Whilst it is commonplace in the private sector to include labour, materials, energy costs etc. as inputs to a productive process with physical outputs in terms of goods and services in the public sector, outputs can often be the staffing levels themselves (e.g. teachers/nurses/police officers/social workers providing a professional service).

15. As this is an exercise in efficiency savings the common sense approach is to treat costs, (i.e. particular budget lines), as inputs, and the goods and services provided (staffing levels etc; houses built, roads maintained, or waste collected) as outputs. Most projects have in fact adopted such a format. For example subsidies, staffing levels, volumes of records and documents, volume of timber planted, new/improved houses, are all output data relevant to specific projects.

16. Some projects, however, produce cost data as output data; outcome data as output data; or simply record general concepts such as “the same level of agreed service”. As ETNs are key source documents for Executive accountability to Parliament, what is required is defined outputs specific to the projects concerned. Examples of vague output information include:

- SQA must demonstrate the same level of service despite the reduction in inputs (EYP/C1);
- There are a variety of outputs from the departments making the efficiency improvements and it is not possible to measure all of these outputs (A/C5);
- Service delivery data (EYP/C3);
- Outputs from the framework are reported to the Executive board and copied to the Scottish Executive (ELL/C1);
- In respect of the savings for bringing NHS payroll in house, the output will be the recurring savings generated (C/C3);
- Outputs to be measured would include resilience, enhanced service delivery, and value for money (LG/C2); and
- There will be a variety of outputs measured depending on the initiative e.g. police officer time, vehicle downtime, procurement savings (LG/C3).
17. It would be helpful, if the approach could be standardised so that all projects treat costs as inputs, and goods and services provided as outputs for each specific Efficiency Technical Note in future. In the meantime, it would be helpful if the Efficient Government Group could provide some analysis of impact on outputs in its forthcoming report on progress with the EGI. Any projects which cannot specify discrete outputs cannot be regarded as efficiency savings.

18. A second problem of measurement and monitoring is that of development costs. In most cases, development costs have been discounted as they have arisen to meet a number of objectives including service improvements, which are inadequate for scrutiny purposes.

19. In the Scottish Executive Spending Proposals 2005-2008, an efficiency target of £500m was set for “recurring cash releasing savings for investment in frontline services by 2008.” This infers that the savings had yet to be made.

20. In the new ETNs, there are some 13 projects in which development costs have been incurred but not applied to calculation of net efficiency savings. These account for around £183m of the cash releasing savings. In most cases the savings would have been known when the target was revised, in November 2004 and would have occurred irrespective of the Efficient Government Initiative.

21. Examples of the rationale for excluding development costs are highlighted below. My view is that most of these provide arguments for not including these projects as efficiency savings, as they were already being pursued for wider policy objectives. As I have advised the Committee before, such examples are ongoing in the process of financial management in government, and are not driven by the Efficient Government agenda per se.

22. For example, savings of £2.4m from the administration of EC payments arose because of development in the EC. “These have significant short term development costs associated with implementing the changes required by CAP reform. However, implementing CAP reform is an inescapable legal duty of Scottish Ministers and therefore these developments costs have not been netted off the efficiency savings.” (A/C1 Cap Reform; p13)

23. Similarly, the improvements to procurement incurred development costs, but as “both of these initiatives were not specifically developed to deliver efficiency savings” then no costs have been netted off (A/C2 Better Procurement; p16)

24. Other examples include:
   - ‘New IT systems and different ways of working’ arose from a large change project (A/C3 HR Transformation; p18) – although this project is now in some doubt;
   - Improvements in IT training which will ‘improve the quality of policy/comply with data protection’ (A/C4 eRDM);
- a procurement project which required the recruitment of a professional but was not netted off as it “will also deliver service improvements” (ERD/C1 Efficiency Savings in Forestry Commission services p 64);
- a project to ‘Improve the finance function’ (ERD/C2 – Efficiency Savings in SEPA; p67).

25. A full list of these projects is attached in Appendix Two, along with further projects in which development costs are either uncertain or not known at this stage. These seven projects account for £182m in savings. There are two projects, however, which explicitly disregard development costs even though they were ‘instigated prior to the efficiency programme’ (J/C3 – Scottish Court Services; p142) or likewise ‘launched prior to the Efficient Government Programme’ (0/C1 – Non- NHS Procurement’ p177).

26. Finally, the school building programmes is included without any provision for development costs despite the acknowledgement that it is “not being pursued on efficiency grounds” (EYP/T1 School Building Programme; p46). This is a time releasing saving, which I have drawn to the Committee’s attention simply because it highlights the practice of including ongoing initiatives as efficiency savings for presentational purposes.

27. These two categories of project provide reason for doubt over the level of savings being identified through them which together account for £365m of efficiency savings. They also show that some departments and their sponsored agencies have been able to report new spending projects as efficiency gains.

28. The final area of concern in measurement and monitoring is the approach to ensuring there is no erosion of service quality. In the main, project specific measures are being monitored through surveys, consultation with stakeholders and users, or by service level agreements with providers. These focus on the outputs under consideration.

29. In some cases however, organisations are proposing to use their conventional performance management systems which relate to their activities as a whole, or Statutory Performance Indicators from the Accounts Commission or reports from Inspectorates. These are wholly inappropriate, as what is required is a quality check which refers directly to the activity in which the efficiency saving is being made.

30. This is particularly problematic for services provided by local authorities. In the case of the cut in block grant, the savings will be made in different ways in different authorities. But monitoring the SPIs is not relevant. Authorities performance on these indicators rise and fall each year because of factors unrelated to the efficiency savings.

31. A second problem is that only some of these indicators are output-based, and there are costs, process and outcome based measures. Only if the SPI directly measures the output of the specific activity in which savings are being
made is it a meaningful measure. The same problem arises when the project reports using Executive performance targets set in Spending Review 2004.

32. The key problem projects are:

- FPSR-LG/C1 Assumed Local Government Efficiency Savings
- FPSR-LG/C2 Fire Service Reform
- FPSR-LG/C3 Efficiency Savings in the Scottish Police Service
- H/C7 NHS Efficiency Savings
- H/C10 Care Commission
- J/C2 Community Justice Services
- J/C5 Scottish Prison Service

**Tracking Growth in Frontline Services**

33. The Executive’s initial response in tracking growth in frontline services was that adopted in the National Accounts, in which input is assumed to be equated to output. Using this approach, the Executive added together the increments of growth (in real terms) in Spending Review 2004 to the efficiency savings total (for cash-releasing) and argued that “frontline services will grow by 5% pa as a result.”

34. Under the National Accounts approach, however, there is no distinction between spending on support services or spending on frontline services, nor between the growth monies used to tackle capacity problems (education and NHS pay deals) or expand service levels. For the purpose of Efficient Government a list of new service developments funded in SR2004 is required. Whilst this will combine funding from growth through Barnett with growth from savings, it will at least provide a more accurate picture of growth in output in frontline services.

35. In his letter to the Convener on 2 August 2005, the Finance Minister acknowledged that “savings and new money were equally taken into account in allocating resources within portfolios, and are not separable”. As a result “project managers have already been asked, wherever possible, to provide details of the reallocation of savings in the Efficiency Technical Notes”.

36. The ETN asks departments to report on “how are the efficiency savings released from improvement activity being used to improve frontline services?”

37. Regrettably, very little specific illustration of growth in output from frontline services is provided. Not only do we not have a fully robust approach to monitoring savings, but we have no serious attempt to monitor growth in frontline services.

38. Rather, the majority of the ETNs contain a standard response. There are two main ways reported for using the savings. Either the savings were built into allocations at the time of the Spending Review and the resources reallocated to overall priorities; or the savings were not built into allocations, and are retained for redeployment within the portfolio or the delivery body itself.
39. A standard example of the first approach is –

“the efficiency savings released from this project will help the Scottish Executive to live within the flat cash settlement it received from the Spending Review. By not increasing the administration budget in line with inflation, resources were freed up for Ministers to spend on other priorities” (A/C4 p21).

40. In the case of three health ETNs, building the saving into NHS boards allocations released resources for allocation to the NHS priorities element of the health budget. For example, savings on drug pricing (H/C9 P112) “freed up resources for ministers to allocate to their priorities through NHS boards”.

41. By contrast, savings retained were not built into allocations in other cases. Savings on NHS facilities management systems (H/C8, 120) were reported as being “for retention by NHS boards for reinvestment in local priorities”. Savings on further and higher education “will be reinvested in their training and research facilities” (p63).

42. Other examples include Scottish Natural Heritage which has used the savings to create a challenge fund available through project bids to be spent on Natural Heritage Initiatives (p73); the Scottish police service whereby the savings were “reallocated to meet other key operating priorities (p88)”; the Modernising Government and Efficient Government Funds savings in administration “will allow resources to be redirected to front office functions” (p92); and savings on legal aid “will be absorbed into the Legal Aid Fund” (p147).

43. These are general statements of purpose, not the transparent explanations of how such funding is being used to enhance public sector output and at what cost which are required for robust scrutiny of Executive performance. The framework for economic development in Scotland has identified the Efficient Government Initiative as one of its mechanisms for improving the productivity of the public sector. To be able to demonstrate improved performance, the Executive has to provide more detailed analysis of what the redirected resources have been used for, at what cost, and how the output of these specific activities has increased. The Committee is due to receive its first progress report on the Efficient Government Initiative, shortly. Hopefully, this will provide more explicit identification and quantification of increased output in frontline services than available through the Efficiency Technical Notes.

Summary

44. To conclude, the key points to emerge from this review of the revised Efficiency Technical Notes are:

- The Executive have extensively revised the input/output data in the cash releasing ETNs, to provide a much clearer overall picture of efficiency savings;
• Important gaps in information remain, and the output data in particular needs to be more project specific;

• In some thirteen ETNs, no development costs have been netted off the savings. In some cases, such projects represent new spending decisions taken prior to the launch of the Efficient Government Initiative;

• In six ETNs, the development costs are reported as uncertain/unknown at this time;

• In a number of ETNs, reliance on either performance targets in the Scottish Budget, or Statutory Performance Indicators set for local government by Audit Scotland, provided an inadequate basis for ensuring that no erosion of service quality results from these savings;

• Finally there is a lack of output data and costs for the growth in frontline services which makes monitoring such growth impossible at the moment.

45. These are major weaknesses which must be overcome to provide a robust evidence-base on which to monitor Executive performance on Efficient Government. It is clear moreover, that some departments were able to present “savings” arising from new developments and funding, and thus avoid any serious appraisal of their capacity to deliver Efficiency Savings. The Executive’s recognition that it needs to “move towards a stronger expectation of equitable contributions from portfolios”, is welcome, and should impact on targets in Spending Review 2007.

46. The Committee’s major responsibility in these matters is the cash releasing savings within the Scottish DEL, and the revised ETNs report £810m savings in cash by 2007-08. However, the absence of or uncertainty over development costs, the lack of specific output baselines; and the uncertainty over delivery in some cases suggest that the actual savings will fall short of this total in practice. In addition, the lack of robust data and the problems of methodology in measuring public sector output also suggest that the growth in frontline services in output terms will be below the 5% p.a. figure suggested by the Executive. The Finance Committee will require to continue to monitor this initiative because of the concerns over the realism of the financial assumptions built into Spending Review 2004, and their impact on the Scottish Budget.

Professor Arthur Midwinter
Appendix One: Efficiency Technical Notes which require more specific and transparent input/output data

1. AC/5    Savings from non staff costs and better staff deployment
2. COPFS/C1 Alternatives to prosecution
3. EYP/C1   Efficiency savings in SQA
4. EYP/C3   Savings from EYP central Government Expenditure
5. ELL/C1   Scottish Enterprise Savings
6. ELL/C3   Scottish Further Education Colleges and Higher Education Institutions
7. FPSR/LR/C1 Local Government Efficiency Savings
8. FPSR-LG/C2 Fire Service reform
9. FRSR-LG/C3 Efficiency savings in the Scottish Police Service
10. FPSr-C/C3 Internal efficiency savings in SPPA
11. H/C2    NHS support service reform
12. H/C3    NHS logistics reform
13. H/C7    NHS efficiency savings
14. H/C8    Facilities management systems
15. J/C2    Community Justice Services
16. J/C3    Scottish Courts Service
17. J/C4    Legal Aid
18. J/C5    Scottish Prison Service
19. J/C6    Accountancy in Bankruptcy
20. T/C1    Rail Franchise – Procurement
Appendix Two: Projects in which development costs have not been applied to projects, or which remain uncertain

1. Non Applied Development Costs

   A/C1    CAP Reform
   A/C2    Better Procurement
   A/C3    Human Resources Transformation
   A/C4    eRDM
   ERD/C1  Efficiency savings in Forestry Commission in Scotland
   ERD/C2  Efficiency savings in SEPA
   ERD/C3  Efficiency savings in SNH
   FPSRC/C3 Efficiency savings in SPPA
   J/C3    Scottish Court Services
   J/C4    Legal Aid
   O/C1    Non-NHS procurement
   TCS/C2  Efficiency savings in Tourism network
   T/C2    Concessionary Fares

2. Projects for which development costs are uncertain or not known at the time

   COPFS/C4  Staff savings from new IT system
   FPSR/LGC1  Efficiency savings in local government
   FPSR/LGC2  Fire Service Reform
   FPSR/LGC3  Scottish Police Service
   TCC/C1    Tourism NDPBs
   T/C5    HIAL
Supplementary Paper – Efficiency Technical Note T/C1

1. The Efficiency Technical Notes include a cash-releasing saving of £24.7m under Rail Franchise-procurement. It states that this arose during the re-franchising process, when ScotRail Franchise proposed additional capital investment of £40m over the term of the franchise, which they would focus on benefits to passengers such as train refurbishments, and would be cost neutral to the Executive.

2. As this efficiency gain has no impact on the DEL, I do not think it should be recorded as a cash releasing saving, against the 2004-5 budget baseline. The Executive defines a cash releasing saving as “producing the same outputs with fewer inputs”, whereas this proposal provides additional outputs outwith the franchise.

3. I therefore queried this ETN with the Efficient Government Group, arguing that it does not generate a saving in the Scottish Budget, but implies that the benefits will accrue to passengers through capital investments funded by ScotRail, outwith the DEL. The franchise payment increased from £210.6m to £263.9m in 2005-6.

4. Initially, the Executive responded that the subsidy paid by Transport Scotland to First ScotRail is within DEL, whereas the capital expenditure in this case is “outwith this subsidy and therefore additional to it and cost neutral to the Executive.”

5. I followed this up by telephone, pointing out that I did not dispute the existence of an efficiency gain, but as the additional investment (a) was not in the budget baseline in 2004-5, and (b) is incurred outwith the DEL in 2005-6, 2006-7 and 2007-8, it cannot qualify as a cash releasing saving.

6. EDG has now confirmed they accept that this is not a cash releasing saving for these reasons, and they will reclassify the ETN. In my view it can be reasonably claimed as a time releasing saving – as it ‘produces more/better outputs for the same input’ (ETN Report p1), even if the term time-releasing is a misnomer in this case.

Professor Arthur Midwinter