Finance Committee

Public Services Reform (Scotland) Bill

Submission from The Chartered Institute of Public Finance and Accountancy

General Comments

The release of the Public Services Reform (Scotland) Bill during an economic downturn provides a unique opportunity to test draft legislation in circumstances not envisaged when the need for the Bill was determined. The Bill, in itself, does not reform public services as the title would imply. In fact it represents a tentative step only towards some elements of reform and simplification. The contents of the Bill, against the background of the Crerar review and the prevailing economic circumstances, represent a missed opportunity when far-reaching reform could have been achieved. That far-reaching reform includes both operational redesign and, where necessary, organisational redesign.

The report from the Independent Review of Regulation, Inspection and Complaints Handling (the Crerar review) envisaged a single national scrutiny body in the longer term. The Scottish Government in its response categorised this recommendation as requiring further work before a view could be reached. Notably, a single scrutiny body does not form part of the Bill. The case however remains for a single scrutiny body.

In some cases uncertain legal powers are a major obstacle to effective collaboration. There is in fact emerging evidence that granting the power to collaborate to public bodies, is a necessary public service reform. There is some evidence of use of the power to advance well-being. More recently a high-profile court case ruled that local authorities did not in fact have the power to collaborate on a commercial arrangement. The power to advance well-being had been the original legal basis for the arrangement. Overall, this points to a case for public bodies to not only being granted powers to work in partnership but for local authorities to be granted a power of general competence.

Financial Implications of the Bill

The financial memorandum estimates that net savings of the order of £3M over a six year period will be achieved. While any savings to the public purse are to be welcomed, the level of efficiencies when measured against the apparent ambition of the Bill are modest. These saving however are not projected to materialise until 2010/11, prior to which £5M of costs are estimated. The limited ambition of the Bill is in effect reflected in the limited amount of financial savings that are projected.

We have however noticed an apparent omission which the Committee may wish to consider. Section 79 provides power to Scottish Ministers to guarantee the discharge of any financial obligation in connection with any sum borrowed by the proposed new Social Care and Social Work Scrutiny and Improvement Service (SCSWIS). A financial guarantee is a financial instrument. Accounting standards require that where the guarantee becomes probable then the liability requires to be
charged and accounted for. A guarantee, by its very nature, could become payable. We see no reference to financial guarantees or any assessment of their impact in the financial memorandum. The Committee will wish to gain assurance in its evidence that this does not represent an omission in the financial memorandum.

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