5 October 2009

Dear Mr Welsh

PUBLIC SERVICES REFORM BILL

When I gave evidence to the Committee on 1 September, I undertook to respond in writing to questions from Jeremy Purvis MSP about enterprise networks and hub procurement Scotland. I am sorry not to have replied sooner.

Mr Purvis asked, first of all, what mechanisms had been put in place to gauge the success of the simplification process against its stated objectives, specifically in relation to the local enterprise reforms.

The enterprise network reforms were intended to allow Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE) to focus on activities that should have the greatest economic impact and will therefore enable both bodies to maximise their contribution to sustainable economic growth. They are doing so in the context of the Government Economic Strategy which sets out a clear purpose for both the Government and its public bodies and provides a basis for close collaborative working towards that purpose. This context, focusing the public sector collaboratively on achieving increased sustainable growth, is very different to the preceding arrangements under which SE and HIE operated.

Both Scottish Enterprise’s and Highlands and Islands Enterprise’s operations will be subject to independent review by Audit Scotland, as well as by the Scottish Government under the terms of their respective Management Statements.

Mr Purvis also pointed out that the Simplification Update published in May 2009 showed a net saving of £150,000 for hub procurement Scotland, and asked if this was accurate given the evidence the Committee had received from representatives of Scottish Futures Trust (SFT) that the SFT’s budget had increased by more than £2m to reflect the transfer of staff who were delivering hub procurement Scotland’s functions.
The saving of £150k over the years 2008-13 arises from the decision to incorporate the responsibility for the delivery of hub within the Scottish Futures Trust and not to set up a separate National Joint Venture for hub. The saving simply relates to the marginal costs and overheads of setting up and operating a separate hub company rather than using SFT.

The direct costs of the Programme Delivery Office within SFT running the hub initiative (£1.2m in 2009-10 and £850k in the three years thereafter) are unaffected by the location of the function. The increase in SFT’s budget that Mr Purvis refers to, is simply the reallocation to SFT of this additional Programme Delivery Office budget to enable them to establish the office, a mixed team of people from legal, financial and technical backgrounds who will drive the programme forward. Mr White, Chief Executive of SFT explained this in his evidence to the Committee on 16 June. This increase is in line with agreed projections to reflect the fact that two pathfinder territories (South East and North of Scotland) will be in their procurement phase in 2010-11.

Yours sincerely

MIKE NEILSON