



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 11 June 2020

Session 5



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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE
11th Meeting 2020, Session 5

CONVENER

Jenny Marra (North East Scotland) (Lab)
*Anas Sarwar (Glasgow) (Lab) (Acting Convener)

DEPUTY CONVENER

*Liam Kerr (North East Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Neil Bibby (West Scotland) (Lab)
*Bill Bowman (North East Scotland) (Con)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Alex Neil (Airdrie and Shotts) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kate Berry (Audit Scotland)
Leslie Evans (Scottish Government)
Lesley Fraser (Scottish Government)
Caroline Gardner (Auditor General for Scotland)
Claire Sweeney (Audit Scotland)
Gordon Wales (Scottish Government)

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

Virtual Meeting

Scottish Parliament

Public Audit and Post-legislative Scrutiny Committee

Thursday 11 June 2020

[The Acting Convener opened the meeting at 11:00]

Decisions on Taking Business in Private

The Acting Convener (Anas Sarwar): Good morning and welcome to the 11th meeting in 2020 of the Public Audit and Post-legislative Scrutiny Committee.

Agenda item 1 is a decision on taking business in private. I will assume that everyone agrees unless a member indicates otherwise. Does any member object to our taking items 5, 6 and 7 in private? No one has objected, so it is agreed that we will take items 5, 6 and 7 in private.

Item 2 is another decision on taking business in private. The purpose of this item is to enable the committee to consider certain business—primarily business that relates to consideration of its work programme—in private at future formal meetings during the Covid-19 public health emergency. Does any member object to our considering the listed items in private during the Covid-19 public health emergency? No one has objected, so it is agreed that we will take those items in private at future meetings.

Scottish Government Response to Covid-19 (Governance and Assurance Arrangements)

11:01

The Acting Convener: Item 3 is an evidence-taking session on the governance and assurance arrangements that the Scottish Government has put in place in response to Covid-19. I welcome our witnesses, who are all from the Scottish Government: Leslie Evans is the permanent secretary; Gordon Wales is the chief financial officer; Lesley Fraser is the interim director general for organisational development and operations; and Shirley Rogers is the director of organisational readiness. I thank you for your time today, and I wish you and your families well in what is an anxious time for all of us.

The committee recognises the very challenging times in which we are living and the significant pressures on many public bodies. However, the Auditor General has emphasised that sound financial management and effective governance are more important than ever. Today, the committee wants to hear from the Scottish Government on the arrangements that have been put in place to ensure that decision making and financial management in relation to Covid-19 are subject to robust and transparent processes.

I understand that the permanent secretary will make a brief opening statement.

Leslie Evans (Scottish Government): Good morning. I thank the committee for the opportunity to provide evidence on the Scottish Government's decision-making, governance and accountability arrangements in relation to the Covid emergency. I should say at the outset that none of the witnesses here would claim to be a public health specialist, so we will get back to members on any specific, technical or more detailed points that they might wish to probe.

Covid is undoubtedly the biggest challenge that we in the civil service in Scotland have experienced in our lifetimes. It has demanded, and will continue to demand, an unprecedented shift in how we work.

We all recognise the outstanding response by NHS Scotland and care services during the crisis. I am proud that, in support of that, in a matter of weeks, the Scottish Government devised, announced and implemented radical response and reform, not only in the national health service but in support of business and the most vulnerable in our society, and through emergency legislation.

That has all been guided by what I call the Scottish Government's "north star"—the enduring

focus, values and outcomes of the national performance framework. That includes drawing on lived experience and working closely and in step with our partners across Scotland.

Crucially, our response has been underpinned by the principles of good governance: leadership, accountability, integrity, effectiveness, transparency and sustainability. To give an example, existing corporate governance structures, emergency response structures and business continuity plans were activated. Appropriate additional robust financial controls were put in place to scrutinise the rapid and significant decisions that were required, and we commissioned internal audit to work with all our accountable officers on governance and decision taking.

I am pleased that those efforts have attracted positive comments from the Auditor General, but operating at that scale and pace of change does not come without consequences. We and our partners had to move very fast at the outset to help to save lives. That included making assessments and reaching decisions in days that might otherwise have taken weeks.

I will highlight three examples of our learning to date. First, there is the importance of open and transparent reprioritisation of existing Government commitments to create capacity to respond effectively to the emergency—for example, redirecting national health service resources and capacity, and pausing elements of the social security programme. Secondly, there is our essential partnership working with the Convention of Scottish Local Authorities, the Society of Local Authority Chief Executives and Senior Managers, Police Scotland, the Scottish Fire and Rescue Service, academia, the military, unions, business, the third sector and many others. Thirdly, there is our ability to pivot, with the crucial agility and professionalism shown by my extraordinary colleagues being redeployed at speed to areas of top priority, and structures and services being created and adapted that could operate seven days a week.

When the timing is right, we will take more formal opportunities to look back at our learning and the decisions that were made, and I want to ensure that Audit Scotland is able to scrutinise those as part of its work plan for 2021. Meanwhile, we focus on health, societal, organisational and especially economic renewal and capturing good practice and reform. The forthcoming programme for government for 2020-21 will set out priorities in the context of this recovery phase from Covid-19, particularly as regards the economic response, not least because we are also preparing for European Union exit, which is another significant pressure on the organisation.

These are exceptionally challenging times for the Scottish Government, the civil service and, indeed, Scotland, and I and my colleagues welcome the opportunity to discuss that.

The Acting Convener: Thank you, permanent secretary; I again thank you for your time this morning.

I have a few opening questions, after which I will hand over to Colin Beattie. Do we have crisis management and decision-making systems in place for such scenarios? If so, have they been instigated, how have they worked and how have they been developed? If we did not have such existing management systems, are we maintaining new management systems for any future crises that might come before us?

Leslie Evans: We had governance and decision-making systems already in place and, indeed, a very firm basis—I would call it a solid foundation—in preparation for extraordinary circumstances. I do not think that any organisation or institution could ever have anticipated the nature of this kind of emergency. However, we do have and have had—indeed, we refreshed them and tested them not that long ago—business continuity plans, assurance reporting and dashboard data that we see regularly, risk registers and so on. We have governance and assurance procedures and structures that I revised in—I think—my second year as permanent secretary, which we placed on the Scottish Government website recently. Those show the decision-making, governance and assurance structures that underpin all our activity in this area.

It is important to mention, first, that our corporate governance—and therefore decision making—refers to and rests on the six principles that I mentioned in my opening statement: leadership, accountability, integrity and so on. Secondly, we had to adapt our underpinning organisational governance structure to suit the circumstances, and we did so at speed when we knew that we would have to execute decision making and considerations in response to such an urgent set of circumstances.

The Acting Convener: My second question is about supply chains. It is clear that how we procure has been really tested over the past few months, not least in relation to ventilators and adequate personal protective equipment. What lessons have we learned about our supply chains and our procurement structures in Scotland?

Leslie Evans: Gordon Wales might want to say a little about procurement. However, if we look at PPE, which has been the headline issue, NHS National Services Scotland launched a bespoke online procurement portal at the very beginning of the outbreak. At that point, we already knew that

we would have to look extremely carefully at what was an issue not just for Scotland but internationally, as you will know.

In addition, we looked carefully at where we could start to home produce products—PPE products, in particular. We have had some success in that, as you might well be aware, particularly in the context of visors and masks and some of the ingredients that make up the protective mask-wear that we use. We have also had a local entrepreneur business helping us with sanitiser up at Grangemouth.

We have been aware of the need to ensure that we put the call out through the procurement portal, and I think that we had more than 1,000 offers of help from people and businesses. We have also deliberately sought to get businesses to pivot in order to strengthen local supply chains for such important equipment.

We did not get to the point at which we were ever in any doubt about being able to supply PPE, but we have looked carefully, and will continue to look carefully, at how we ensure that we learn from that process.

Gordon Wales (Scottish Government): I do not have anything major to add, other than to say that there have been unprecedented and, indeed, worldwide demands on PPE. Every organisation that uses PPE will, of course, be learning lessons, as will the Scottish Government. We will ensure that future procurement regimes and the frameworks that support them are resilient enough to support our response to an incident like Covid-19 in the future. That work is under way.

Colin Beattie (Midlothian North and Musselburgh) (SNP): As the permanent secretary might know, in the past, it has often proven difficult for Parliament to scrutinise intergovernmental discussions and negotiations. What record keeping is being maintained to ensure that there is an appropriate audit trail for key discussions and decisions?

Leslie Evans: There are a number of layers to that. We have an overriding responsibility to comply with the Public Records (Scotland) Act 2011, to take minutes and to comply with data protection and freedom of information regulations and responsibilities. We also have a leadership responsibility in relation to the record keeping of information and interactions. Lesley Fraser, who is our senior information risk owner, might want to speak about her role. We have a set of responsibilities in each divisional and business area. Individual chairs and secretariats have the responsibility for recording decisions, minutes of meetings and so on. At an individual level, as civil servants, we are subject to the civil service code,

in the same way that ministers are subject to the equivalent ministerial code of conduct.

Most of the contact that we have had with the United Kingdom Government has involved being invited to meetings at its hand. There have been very regular ministerial group meetings. In the early weeks of the process, I joined permanent secretary colleagues from across the UK for a meeting at 5 o'clock, five days a week. The minutes and actions from those meetings were taken at the UK Government's hand, but we were, of course, given an opportunity to see them.

In addition, the committee will be aware that there have been regular meetings with the devolved Administrations through the resilience process, which includes COBRA meetings; there has also been direct contact between ministers on the interests in their portfolios. On top of that, there has been correspondence between ministers on key issues to do with Scottish and devolved interests, and all of that has been recorded.

Colin Beattie: I will take the issue a step further. What on-going arrangements are in place with Her Majesty's Treasury about the levels and timing of additional funding to the Scottish Government as a result of increased UK Government spending on the response to Covid-19?

Leslie Evans: There is a great deal of contact with the UK Government on that very point. Of course, we have formal ministerial contact. There is a quadrilateral system of regular minuted meetings through which the finance ministers for each of the devolved Administrations and the UK Government get together. There is also regular official-level contact, and Gordon Wales might want to talk about the timing and process around that.

I am in regular contact with my permanent secretary colleagues—including the cabinet secretary, Sir Mark Sedwill—about the pressures and strains that are being experienced not only within our organisations but in the policies and priorities that we are trying to implement, and there is a regular programme of reporting back where you would expect—in forums such as the Cabinet—about the nature of those contacts. That applies particularly in relation to the quadrilaterals and the written requests that are made in letters and so on between Ms Forbes and her colleagues and their counterparts in the UK Government.

11:15

Colin Beattie: Is there absolute clarity on how much is being given to Scotland by HM Treasury to support it in relation to Covid-19? Where the money is hypothecated for any special purpose, is there a clear understanding of that?

Leslie Evans: Yes, I think that you will find that the summer budget report to Parliament, which was made last week—again, Gordon Wales might well want to add more detail on this—gave an account of the level of consequential to the Scottish Government and other devolved Administrations that have been amassed so far.

However, it is a moving picture, as you can imagine. We know how much we have been allocated to date, and we know that our spend on Covid has more than exceeded the amount that has come from the UK Government in consequential. Gordon Wales will have the exact figures, but £3.5 billion has come from the UK Government and more than £4 billion has been expended to date. We know that we will have to spend considerably more than that, not just to maintain what we have set out to date in the route map but, as we emerge from Covid and realise the extent of the harm and the damage that have been done, to focus on addressing that in the next phase of our work.

There is clarity. The only other thing that I would say is that consequential can, of course, go down as well as up. If the UK Government decides to reprioritise the money that it spends across its departments in a way that has a Barnett formula consequence, our consequential can go down as a result of that, not up. However, Gordon Wales might wish to go into a bit more detail, which you might find helpful.

Gordon Wales: I would be happy to. First and foremost, Mr Beattie, to go back to your question about engagement with the Treasury, there is daily contact. There is a daily call between Scottish Government and other devolved Administration officials and the Treasury. That has largely been in place since the current crisis escalated. That provides an opportunity for the UK Government to impart what is happening at its end, in particular around spending decisions that are being made for UK departments, and it provides an opportunity for the devolved Administrations to then ask questions, pose particular issues and seek to resolve some of those areas that are uncertain.

As the permanent secretary said, this is very much a moving picture. Tomorrow, the Cabinet Secretary for Finance will appear before the Finance and Constitution Committee to give evidence on the summer budget revision, which of course is an entirely unprecedented event for us. Normally, we carry out two formal budget revisions each year—the spring budget revision and the autumn budget revision. This year, we are doing a summer budget revision and, as the permanent secretary said, that was published last week. At tomorrow's evidence session, there will be an opportunity for the Finance and Constitution

Committee to scrutinise that revision in some detail.

However, as the permanent secretary also said, it is very much a moving feast. The spring budget revision was locked. We had to set a date for when we locked those figures for the purposes of the summer budget revision, and that was locked at Barnett consequential of £3.581 billion. The Scottish Parliament information centre briefing that accompanies the summer budget revision evidence tomorrow notes that that figure has changed to £3.720 billion. However, as of today, that has changed again to £3.791 billion. The figure is changing almost on a daily basis. Of course, that is a direct consequence of decisions being made by UK departments and clarification being sought by devolved Administrations, including the Scottish Government.

Colin Beattie: How will the Scottish Government ensure that there is absolute transparency over the additional funds that are provided to support local authorities, businesses and organisations? How will that transparency be put in place?

Gordon Wales: As I mentioned, the summer budget revision process was published last week and there will be an evidence session tomorrow. The comprehensive summer budget revision sets out in substantial detail the consequential that have been allocated by the UK departments and their application, not just at the level of cabinet secretary and ministerial portfolios, but at the level of individual areas, such as local authorities. The Cabinet Secretary for Finance will be able to give detailed answers to specific questions that the Finance and Constitution Committee will have on the summer budget revision tomorrow.

Because we recognised that there was parliamentary and significant public interest in the allocation and application of those consequential, we took the unprecedented step of publishing an additional budget revision process. As I said, there will be at least two further budget revisions during the year, when there will be an opportunity for the Government to set out the detail of the application of the next stage of Barnett consequential and for Parliament to scrutinise that.

Colin Beattie: As part of that, will there be an assessment of the impact on value for money to find out whether we are spending our money in the right places and getting good value for it?

Gordon Wales: Absolutely. Let us remember that the allocation of consequential by the UK Government does not force on the Scottish ministers a requirement to allocate those consequential in exactly the format in which they have been allocated; the Scottish ministers are free to apply them as they see fit. They have

largely done so in the same proportions as UK ministers, but there have been differences, as you know—for example, in the application of grants to specific sectors.

From a value-for-money perspective, there are processes in place for all the applications of those consequential. Before the spending decisions are made, they have to be justified by individual accountable officers, who are senior officials in the Scottish Government. As accountable officers, they are required to ensure the regularity, propriety and value for money of all spending decisions.

We have also put additional layers of control on top of that. All Covid-19 related decisions on spending of more than £1 million have gone through a specific approvals process that has to be developed, supported and interrogated by the accountable officer, including for value for money. The applications are then approved by the Cabinet Secretary for Finance and the Deputy First Minister. That spending control for anything more than £1 million is not normally in place, but we recognised the need for that level of due diligence to be applied to such spending and it has been in place since the outset of the crisis.

Colin Beattie: I have one last question. What plans are in place to assess the impact of the pandemic on the fiscal framework and the Scottish Government's five-year medium-term financial strategy?

Gordon Wales: The committee will be aware that the fiscal framework was already due for review; when it was originally published, a five-year review was built in. When the crisis began, the process with the Treasury to begin the analysis and evidence gathering in order to determine the outcome of that review was already under way. Of course, the level of pressure that the crisis has placed on the Scottish Government's budget is unprecedented.

It is fair to say—indeed, this was set out in the 2020-21 budget that was published earlier this year—that, before the crisis escalated, the Scottish ministers already felt that the fiscal framework was not proving to be sufficient to support the Scottish Government's spending and borrowing requirements and reserve demands as they were at that time. It is clear that a substantial review of the fiscal framework will be needed, not just as a consequence of the work that was already in train but specifically because of the crisis.

Liam Kerr (North East Scotland) (Con): I have one brief question for the panel. In March, the Auditor General referred to her role as

“the comptroller in authorising the draw-down of funds to Government from the consolidated fund”,

which Colin Beattie has just explored, and she suggested that, given the current exceptional circumstances, it was possible that the Scottish Government might want to

“break the limits of the budget”.—[*Official Report, Public Audit and Post-legislative Scrutiny Committee*, 19 March 2020; c 4.]

Is it possible that the Government will need to do that?

Leslie Evans: I will ask Gordon Wales to comment on the technical aspects, but we really have no choice but to stay within budget. That is both a responsibility and an important part of our history and achievements over the past years of devolution.

We are already well engaged with ministers, and from the beginning of the process we have been looking afresh at how to prioritise our spend, examining where we may need to pause and reconsider or at least reframe the way in which we carry out work that has spend attached. We will look at that again as we move from the epidemic level of Covid-19 to what I might call the endemic element—as we move to a different phase.

We are prioritising in relation to not only the money that we spend and the commitments that we have made, some of which have been referred to, but where we place our staff and resources—where we actually get work done. Gordon Wales might want to say more about the technical elements, but I am very clear that we must stay within budget, and we will need to take some tough decisions in order to do that.

Gordon Wales: The permanent secretary is, of course, correct that the Scottish Government is not entitled to breach its budget limit. There are two limits that the Scottish Government has to adhere to: one is an overall budget limit and the other is what the Treasury calls a cash authorisation limit. The two are different, because the budget includes many non-cash items such as depreciation, impairments and so forth, and both limits have to be adhered to.

We recognised in mid to late March that there were some risks associated with the potential demands that were being placed on cash at the UK level in 2019-20. The Scottish Government had not draw down its entire cash authorisation limit in that financial year. Recognising those risks, I decided to ensure that the Scottish consolidated fund was populated with the entirety of the cash authorisation limit that was available to it in 2019-20 so that there was a sufficient buffer as we moved into the financial year 2020-21. That has proven to be a prudent decision, because there were very significant demands on cash at the UK level, as the committee will have seen from the borrowing that has had to be undertaken at that

level. That has helped to provide a comfort blanket, if you will. It ensured that all the cash was in place, particularly during April and May, when specific cash demands arose for the early phases of the Covid-19 response.

We are working to make sure that we absolutely understand the demands on both the budget and the cash authorisation limit for 2020-21, and we will work to ensure that the Scottish Government does not breach either of those limits. Members will see in the documentation that is associated with the summer budget revision, which will be the subject of evidence tomorrow, that we are already beginning to accrue savings. However, further savings will need to be accrued in order to ensure that we live within both limits.

The Acting Convener: As Mr Kerr has no further questions, we will move on to questions from Alex Neil.

11:30

Alex Neil (Airdrie and Shotts) (SNP): As I understand the picture from how it has been described, we have spent, as Gordon Wales said, £3.79 billion of the consequential money that we have received specifically for Covid. In addition to those consequentials having been committed, the permanent secretary has said that £0.5 billion will have to be funded by the Scottish Government.

Where will the money come from to fund that additional £0.5 billion? Is it still £0.5 billion or has the amount gone up since it was calculated? Will the authorised cash limit that was carried forward, which Gordon said he put into the consolidated fund for this year, be enough to cover the gap between what we are getting in consequentials for Covid and what we are spending on it?

Leslie Evans: I will answer that first, then I will hand over to Gordon Wales, who is the expert on these things.

First, I re-emphasise that we are still in a very fast-moving environment, as you will understand. On our spend, we heard earlier that we have a snapshot of the figures, but they are already moving and they will move again. Depending on the success of pressure and conversations that are being held between the devolved Administrations and the UK Government, more consequentials might be released, but we do not know about that.

While we are in this fast-moving and intense period, we need to assume that we will have to reprioritise some of our spend in order to accommodate that element of Covid-related spend that is not at the moment being covered by consequentials. We are looking at that carefully all

the time, not just as a one-off, but in a rolling programme of discussion.

Accountable officers will be having conversations with their cabinet secretaries over the next two or three weeks and looking at where we may need to consider squeezing things out or other options for how we deliver both for Covid and, increasingly, for the impacts of Covid. The latter will probably be as pressing as the work that we have already done in phase 1 in dealing with the epidemic. Gordon Wales might want to say more about that.

Alex Neil: Before he comments, I say that I understand all of that. I am trying to get a hold on the figures as they are today. I fully appreciate that, by next week or next month, they will have changed. However, you said that, at the moment, there is a gap of about £0.5 billion, and you quoted the £3.5 billion in consequentials. That was updated by Gordon Wales, who said that the figure is now £3.791 billion.

What is the update on the £0.5 billion gap? Is it now bigger? If so, as of today, how much of it can be funded from the cash that has been carried forward, as Gordon said, from last year into this year?

Leslie Evans: That work is on-going. I will ask Gordon Wales to talk about the specifics of the accrued money and how we deal with that in year. However, we have to be able to resolve this in year, and it is worth emphasising that we have to do that while continuing to press the UK Government for further flexibility in the way that not just the fiscal framework but other elements of our funding relationship operate.

There is a twin-track approach. We are continuing to work with Treasury officials and there are minister-to-minister conversations about what further flexibilities might be permitted, but we are also making sure that we are looking after our own housekeeping, not just to keep our spending under control but in relation to the money that we know is coming in through consequentials.

Gordon Wales might want to say more. As you said, the figures that he quoted demonstrate the fast-moving nature of this.

Gordon Wales: As the permanent secretary said, the figures are moving daily, if not more frequently than that. It is perhaps worth pausing on the summer budget revision figures, which were locked recently in order to ensure that there was certainty of reporting. As I noted, both the consequentials and the spending have been moving broadly in tandem ever since.

Perhaps I can give the committee a more detailed explanation of how we have sought to fund the gap as part of the summer budget

revision, because that is a strong indicator of how we will support the latest spending projections. The summer budget revision set out an intention by ministers to allocate £4.014 billion. As I noted, the consequentials that will fund that were £3.581 billion, which leaves a gap of £433 million for Scottish ministers to fund. The permanent secretary and I have both said that there has already been some reprioritisation, which has enabled us to deliver £255 million-worth of savings. That means that, broadly, there is £178 million to be funded.

Committee members might remember that the Scottish budget had to be published in advance of our knowing what consequentials the UK budget would allocate for the current financial year. That was in non-Covid times, before the escalation of the crisis. Scottish ministers anticipated a prudent sum; in reality, the UK Government allocated £112 million more than we had assumed, and that £112 million of additional consequentials will be applied to help to close the £178 million gap.

That leaves a final £66 million being required in order to fund that part of the summer budget revision, and we are allocating all of that from the Scottish consolidated fund, largely from the Scotland reserve. Of that, £42 million was in the fund before the Scotland reserve was set up, and £24 million has been there since the reserve was set up just over three years ago. We will fund the £66 million balance from that.

Ministers will present their summer budget revision and, as I said, an evidence session on it will take place at the Finance and Constitution Committee tomorrow, but it is important to point out that it is fully funded. As we have noted, the figures are moving daily, and we will continue to update them in real time. As I noted earlier, there will be further transparent budget revisions that set out the changes since the summer budget revision.

Alex Neil: That is very helpful. It gives us a good breakdown of how the gap will be funded in what is a moving picture. You said that there have already been £255 million of reprioritisation savings, which is a nice civil service term for cuts. Where have those £255 million of savings been made? Can you send us a breakdown of that, please?

Gordon Wales: We can. From memory, I think that it is included in the summer budget revision, but I will be happy to send it to you. I can give you an example off the top of my head. The Cabinet Secretary for Social Security and Older People has already made announcements on the impact of Covid-19 on the social security delivery programme for this year, and we expect that to accrue £26 million-worth of savings.

The savings in the summer budget revision are in effect being accrued as a consequence of the impact of Covid-19 on the Government's business, rather than being spending cuts on which ministers have decided. They are flowing as a consequence of natural events and they are set out transparently in the summer budget revision. However, I will be happy to send you a detailed breakdown of the entire £255 million.

Alex Neil: The Fiscal Commission forecast a £1 billion deficit over a three-year period, and the Auditor General commented on a potential £1 billion cumulative reduction to the Scottish budget over the next three years, starting in the current financial year, but there is no detail in the strategy of how the Scottish Government would redress such a shortfall. Presumably, all the figures that you have been talking about have not impacted positively or negatively on that £1 billion figure, so is there a plan in place to deal with that deficit as well?

Gordon Wales: The figures in the last medium-term financial strategy—which, indeed, were updated in the 2020-21 budget—included what we call a negative block grant adjustment; in other words, a negative impact on the Scottish budget for the financial year 2020-21. As the 2020-21 budget process set out in the document, the first application of those negative block grant adjustments has already been applied: £204 million was applied from that estimated £1 billion in 2020-21. Alex Neil is correct in saying that further deficits are forecast, and the work in this year's medium-term financial strategy—it would normally have been published by this time, but the cabinet secretary has announced that the publication will be delayed to take into account the impact of Covid-19—will need to include both the impact of 2021-22 deficit projections, taking into account the latest projections from the Scottish Fiscal Commission, and any deficit in the current financial year that is expected as a consequence of Covid-19. Those two issues will need to feature in that work. The 2021-22 budget process will set out, as the 2020-21 process did, what the application of a figure will be in any specific year.

Alex Neil: That is very helpful. I will ask the permanent secretary a final question on a wider issue. This committee and others have been asking the Scottish Government to produce consolidated public accounts so that the information is all in one document, and we were hoping to get that for the current financial year. Can the permanent secretary please give us an update on where the Scottish Government is with that project?

Leslie Evans: Yes. I am happy to do so, Mr Neil. As you will know from my letter, which is from November, going by the Audit Scotland report, we

agree in principle with the recommendation to improve financial reporting, and we have continued to progress that objective despite the other pressures on us and on Gordon Wales and his team. We have a draft version for the 2017-18 financial year—we had already undertaken that work—and we are currently working on the equivalent for 2018-19. We want to—and need to—have that audit engagement in parallel with the work that we are doing. We hope to have a draft account for that year available very soon.

That is a significant and complex undertaking. The fact that we are still working on it is testimony not just to the fact that we have a lot of other things on our plate but that it is a complex process to undertake. We also want to ensure that what is produced adds value. We know, and I think that Mr Neil knows, that the information that we are pulling together is available across a range of other sources; the value will be in bringing it together into one sharp focus. That work is ongoing: we have drafts that we have shared and another draft that we will share that will be a reiteration of that work. We will continue to place importance on getting that done. As you can imagine, we are struggling at the moment. Just about every part of the organisation is wrestling with the impact of the crisis, but that does not mean that we have not still got the issue in our sights.

The Acting Convener: Before I hand over to Bill Bowman, who may also have a general question on the consolidated accounts, can we get the breakdown that Gordon Wales offered us of where those savings are going to be made? If you could share that document, that would be very much appreciated.

Alex Neil discussed the fiscal framework. The reality is that, if Scotland has a lower growth rate than that in the rest of the UK as we come out of the crisis, that will impact on our budget and our ability to spend on the public sector in Scotland. What work has been done to mitigate the economic impact of Covid-19 so that we do not have weaker growth in comparison to the rest of the UK? We seem to have had that consistently recently.

11:45

Leslie Evans: The fiscal framework is a point of live debate between us and the Treasury, and not just at official level—you have heard that we have regular contact with the Treasury—but particularly at ministerial level. The framework was never designed to cope with the impact of an incident such as we are experiencing now. To be frank, very few procedures were designed for that. We will be looking at the fiscal framework in 2021 anyway, but we are putting pressure on the UK

Government to talk to us about the appropriateness of the framework in the current circumstances.

On the economy, we are pivoting towards that issue for the next phase. Although we continue to control and look at the exit strategy for lockdown and control of the virus, the economy is a crucial focus of the work that we are undertaking. The First Minister chairs a Cabinet meeting on the economy every week, and we have Benny Higgins's advisory group on economic recovery, which I think the First Minister mentioned in Parliament yesterday and which will produce its recommendations in the next week or so.

The advisory group is focusing on how we can pivot the economy and how the Government will support the economy and business through what will be very tough circumstances. The advisory group will, as part of its remit, look at strategically vulnerable companies and the role of the Scottish Government in supporting them. The group will also look at youth unemployment. I am probably the oldest person in this virtual room at the moment, so I remember the 1970s and 1980s and the impact of the economic downturn on young people at the time. The group will also look at the vulnerability of rural communities, particularly where key sectors such as tourism impact on them, and education, including skills, the curriculum and making more of Scotland's universities and academia. Finally, the group will give us recommendations on engagement between the business community and the Scottish Government.

We are looking forward to receiving Mr Higgins's report. The recommendations will be the first stage of looking at where we need to focus most in our efforts to prepare for some very tough economic circumstances.

The Acting Convener: Thank you. I remind you that you and I are probably two of the younger participants in this call, as Bill Bowman and Alex Neil are on the committee. I now hand over to Bill Bowman.

Bill Bowman (North East Scotland) (Con): I want to move away from the accounts per se and talk about the Scottish Government's audit and assurance committee. However, before that, I want to go back and close off some issues that the Auditor General has raised.

To give a little context, the Scottish Government's audit and assurance committee, which is made up of non-executive directors, is responsible for providing you, permanent secretary, as the principal accounting officer, with advice and support in discharging your responsibilities in relation to risk, control and governance.

The Auditor General's report on the 2018-19 audit of the consolidated accounts highlighted that there is a need for the audit and assurance committee to provide

"greater scrutiny and challenge to support the advice and assurances given to the Permanent Secretary".

That committee receives regular reports from internal and external audit, but the Auditor General's report noted that

"the Committee's consideration of their findings and recommendations remains limited."

The report also highlighted that

"The Committee does not produce an annual report to summarise its work from the past year"

and

"nor does it undertake a review of its own effectiveness as required by its own terms of reference."

The Auditor General recommended that the committee should address that in order to

"ensure it operates in line with the Scottish Government's own good practice guidance on audit and assurance committees."

I have questions on two aspects. First, do you accept the Auditor General's remarks? Secondly—*[Inaudible.]*

The Acting Convener: I think that we are losing Mr Bowman. I will give him a moment.

You are back on, Bill.

Bill Bowman: I am here, as far as I know.

The Acting Convener: We lost you for a wee moment there, Mr Bowman. Can you try again?

Bill Bowman: How far had I got?

The Acting Convener: You were on the last part of your question.

Bill Bowman: Did you hear my questions?

The Acting Convener: We heard part of your question.

Leslie Evans: The second part.

Bill Bowman: The first part was about whether you accept the Auditor General's remarks and what steps have been taken, and by whom, so that the audit and assurance committee improves its effectiveness.

Leslie Evans: I understand both of those questions.

The non-execs on the audit and assurance committee were a little surprised by some of the comments from Audit Scotland, particularly because Audit Scotland attends all our audit and assurance committee meetings and is a component part of that. Nevertheless, we were

keen—I was keen—to ensure that we held the committee's performance up to scrutiny in the light of the comments and evaluation that had been given, and we have taken action on that. The audit and assurance committee has been a very important part of our governance during the Covid-19 crisis.

We have new terms of reference for the committee. We have a new chair: Ronnie Hinds has taken over from Janet Hamblin, who is doing some other work for us on the Covid response. We have doubled the number of non-execs from five to 10 in the past 15 months, to ensure that we have a wider breadth of skills and experience, and we are drawing from that pool to nominate non-execs to the audit and assurance committee. Those new skills include expertise in tax and youth engagement and extensive non-exec board experience. We have a wider and richer set of skills around that table than we had previously.

We have strengthened the general induction process for our non-execs, because many of them will end up on the audit and assurance committee. Audit Scotland continues to attend not only those committee meetings but the local director general assurance meetings, which feed into the audit and assurance committee. We intend to produce a report, as was requested. The proposal is to bring that report for review at the September committee meeting.

We have acted on all the specific proposals that Audit Scotland made, and we will review the committee's performance, as Audit Scotland also suggested, after it has had a chance to operate in its slightly new format and with its strengthened skill base.

Bill Bowman: It was concerning for me and for the rest of the committee to read the Auditor General's comments, given that we have always looked to the audit committees of organisations to provide a challenge to management. You imply that the comments were not whole-heartedly welcomed. Have you been back to the Auditor General to discuss that and to agree what you are doing?

What you have said sounds a little bit internal. Have you taken any external professional guidance as to whether your governance process and the audit committee itself are operating as they should, and to verify that your suggestions are in line with modern practice?

Leslie Evans: We have kept in touch with Audit Scotland—not least with the people who were at the committee. My team has been in touch with them, not only to consider the changes that we have undertaken for SGAAC, the Scottish Government audit and assurance committee, but to consider the pipelines that feed that committee.

Director general assurance meetings take place at portfolio level, and Audit Scotland has also recently been attending those.

We have stayed close to Audit Scotland in the implementation of those changes and in tracking them. Audit Scotland will also see the report that will come forward in September, and its assessment of that will be welcome. I would value that.

For external expertise, we have drawn quite a bit on our new non-execs, who come from different places, including private practice. We have drawn on how they see good practice happening in the holding to account and the challenge function. We continue to look at other parts of other Governments, as well as other parts that non-executives point out, to look at good practice, innovation and a different way of holding ourselves to account.

For my part, that is an important element of my assurance of how the organisation is operating, not just in terms of the non-execs' expertise and challenge. Incidentally, all our non-execs meet weekly. They previously met monthly but, during Covid, they have been meeting weekly. They have asked me to be present at their meeting every other week, and I have also been present at deep dives of information about Covid and how the organisation is responding to the challenge.

It is not only important that SGAAC operates and functions effectively; it is important that it holds my accountable officers to account, as they are the ones who are taking decisions every day in these difficult circumstances—and in work as normal, if work ever gets back to normal. It is a really important part of our governance armoury, and I take it very seriously.

Bill Bowman: Thank you for that. I leave with you the thought of having independent scrutiny of what you have done, at some point. It sounds as though you have done various aspects of what was recommended, but do all the parts add up to the right whole?

Leslie Evans: That is a fair comment. When we get the report, it will give us a good opportunity to say who else could see it and give us some feedback, to ensure there is some transparency of challenge. I will take that thought away.

Bill Bowman: You have talked about coming to the present situation. What active part is the audit committee taking in what is happening now within Government?

Leslie Evans: It is very active. It met at the onset of the crisis, and it will meet again in a couple of days, although I look at my diary now and instantly forget what is happening unless it is happening in the next couple of days. We will have

another SGAAC meeting in the next week or so, and the paperwork for that will come out at the end of this week.

The audit committee has also been active in its role as non-execs, as I said earlier. We are not just waiting for SGAAC to meet and play its role. The non-execs have been meeting every week and we have had two corporate boards during the epidemic, and there is a little overlap in the non-exec personnel who sit around that table. They have been a very important point of contact for us, enabling us to check on risk, on our preparedness for what lies ahead, on the nature of the governance and the decisions that we are taking and on whether the organisation is as healthy as it can be under pretty testing circumstances. We do that to ensure that we are taking sustainable action, not just a week-by-week approach to our work.

Bill Bowman: Has the audit committee just been confirming what you are doing, or have you come away from the meetings and said, "Oh! There is something right there. We need to do it differently."

Leslie Evans: I do not think I have ever been at a meeting that was just an echo chamber. That would not be us operating to best effect. We have always had challenging chairs in the SGAAC, and, when I chair the corporate board, I invite comment from our non-execs. They frequently give us pause for thought, ideas and contacts, and they challenge how we are doing things, because most of them do not come from a Government background. That is their extraordinary value. We do not want to be an internally focused and complacent organisation. We cannot afford to be that, ever. I and, I suspect, my colleagues always come away from those meetings with challenges and different thinking.

The Acting Convener: I now hand over to Neil Bibby.

Neil Bibby (West Scotland) (Lab): We are all aware of the speed with which decisions need to be made in the current circumstances. Do you agree that lessons should be learned now so that they can be reflected in new policy-development guidance and funding packages as appropriate? We cannot wait years for an inquiry. It is vital that we learn lessons now. No one questions ministers' intentions, but we need to understand the outcomes of decisions. As has been mentioned, the Parliament and the public need to play a critical role in learning lessons and understanding the outcomes of decisions.

12:00

There is concern among a number of MSPs about delayed and evasive responses from

Scottish Government ministers to questions and letters. There is also concern about responses to freedom of information requests. For example, my colleague Neil Findlay received an answer that said that the First Minister had not received any written briefings from the chief medical officer or the national clinical director, but that turned out not to be true. Does the permanent secretary think that that is acceptable? What action will you take to address the concerns about a lack of transparency from the Scottish Government?

Leslie Evans: I will address your point about capturing learning before I come to the other points that you made. It is vital that we learn as we go. I am sure that there will be an inquiry. We are sketching out a more formal process, which I referred to in my opening comments, for how we capture learning. That includes banking some of the work that has been done and some of the decisions that have been taken during this time, so that they can be used to good effect in the future.

We know that the work that we have done has had some very positive effects. There has been a vast reduction in the number of people who are sleeping rough, and changes that have taken place have led to there being far fewer people in our prisons. We need to think about the sustainability of some of those outcomes, so that we hold on to them. That is part of a programme of work called “renew”, which will capture some of that learning and look at how we mainstream it.

The other point that I will make before I come on to your point about decision making is that we are having to learn as we go in relation to how we undertake our work. We have worked at an extraordinary pace, particularly in the early days of the epidemic, but our work has always been evidence led. Scientific and data advice was woven into the advice for ministers, and the analysis of that advice was equally important. Our key craft as civil servants has remained ensuring the integrity of our decision making and governance processes, to which I referred earlier.

At the beginning of the crisis, some of our decision making was done at pace, but it was underpinned by well-prepared business continuity and resilience practice. We are now into a slightly different rhythm of decision making, which is predominantly conducted and orchestrated through the route map. Shirley Rogers can say a bit more about that.

On your point about transparency and freedom of information, we have recently published a whole other tranche of data, information and statistics on our website—not least on testing and the work of the Covid science group that advises Scottish Government ministers. We are publishing more and more information as we go, and that will always be the best response to the demands of

FOI requirements. The more we publish, the less likely it is that people will feel that they need to make specific demands of the Government in relation to the information that it holds. That system is still holding up well for us, and we will continue to publish and share as much information as we can.

Ministers are being up front with Parliament about the decisions that they are taking on specific initiatives. As someone mentioned earlier, we had to pause some work on social security services, and the Cabinet Secretary for Social Security and Older People told Parliament about that very early on.

We are under extraordinary pressure in relation to not only freedom of information but other communication and correspondence. That is not an excuse; it is just a matter of fact. The other day, I was talking to a director general who said that, at one point during the Covid crisis, 9,000 pieces of correspondence were live. That number has now been substantially reduced, but probably not by enough to satisfy the people who are contacting us. We should be clear that such correspondence is not transactional. In the case of that director general's department, people were, quite legitimately, asking and pressing for answers to quite complex questions about applications for grants and MSPs were raising particular constituency concerns.

I spoke to Mr Dey about that yesterday; it is very live in my mind and in others' minds. We need to be able to get through it and pivot as much resource as we can into dealing with the correspondence backlog—because there is one—and to ensuring that, although the FOI constraints on timing and response times had been loosened slightly, we are able to adhere to them.

I apologise to MSPs and others who are experiencing a delay in the response to their correspondence. We are doing everything we can to speed up the process and are resourcing it as well as we can. We will do everything we can in the next few days to get rid of the backlog that I know has accrued in one or two parts of the Government.

Neil Bibby: I thank the permanent secretary for that answer and undertaking. I appreciate that the civil service and ministers are working under extreme pressures. However, I impress on the permanent secretary that the issue is with not just the timing of responses but their quality.

Leslie Evans: Noted.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I return to the line of questioning led by Alex Neil on finances. As I understand it, the New Zealand Government is about to borrow \$50 billion to help it to get through this crisis, which it hopes

will save 140,000 jobs in that country and help it to invest in young people who are leaving school and university to enter the new world of work. Will the permanent secretary clarify what the upper limit is on Scotland's ability to borrow? How much can we borrow to assist our country to get through the current situation?

Leslie Evans: I am sure that Gordon Wales will want to come in on the technical element, but we do not have borrowing powers. We are not in a comparable position to countries such as New Zealand. However, as I mentioned earlier, there is a continuing and intense conversation with the UK Government about how some flexibilities or, indeed, further powers may help the Scottish Government to face the next stage and challenge—the economic resonance or impact of Covid.

We have no borrowing powers and at the moment we are working very much within the constraints of what we have, as we mentioned earlier, making sure that we squeeze value out of every penny that comes into our coffers through tax, Barnett consequential and so on. Does Gordon Wales want to say more about that?

Gordon Wales: I am happy to. As the permanent secretary says, nothing like the borrowing powers that are available to the UK Government to support both capital investment and day-to-day spending is available to the Scottish ministers.

The fiscal framework that was introduced as part of the Scotland Act 2016 brought some limited borrowing capacity. Ministers have the ability to borrow for capital purposes. The total limit on that is £3 billion and there is an annual limit of £450 million. Ministers may wish to borrow a specific amount, but they are limited by how much the Treasury will allow them to draw down in any given financial year.

There are also some limited resource borrowing powers. The Scottish Government is able to borrow around £350 million a year for resource purposes and it is doing that as part of its budget for 2020-21. The resource borrowing powers are being enacted for the first time in order to support the fiscal deficit that exists in respect of tax.

In the discussion that I had with Mr Neil earlier, I mentioned that there is a £304 million adverse block grant adjustment. The Scottish Government is using those limited resource borrowing powers in the 2020-21 financial year in order to support the shoring up, in effect, of that deficit. There remain available to ministers this year some very limited additional resource borrowing powers to support the Covid response.

On the capital front, the 2020-21 budget set out an intention to borrow the entirety of that £450

million. What that means, in effect, is that there is no borrowing capacity available for capital purposes that has not already been committed, although we have seen a bit of a slowdown in some capital expenditure in the current financial year and some very limited resource borrowing powers being available.

Willie Coffey: We have nothing like the capacity of New Zealand, for example, to deal with a situation that we share with it. We are in the same boat as New Zealand, but we have nothing like its capacity to borrow in order to get through the current situation.

Gordon Wales: That is correct. As I said earlier, ministers had already set out in the 2020-21 budget a statement effectively saying that their view was that the existing fiscal framework borrowing powers and, indeed, the Scotland reserve that operates alongside it are inadequate to support the Scottish Government's current fiscal regime, let alone the response that needs to be provided to support the Covid-19 situation. As part of the work that needs to be done in reviewing that fiscal framework, there needs to be a very substantial look again at those borrowing powers to ensure that ministers have the levers available to them to support whatever economic and wider recovery response there needs to be. Of course, that is part of the on-going engagement and discussion with the Treasury.

Willie Coffey: Are we getting a sense of whether the UK prefers to pay for the Covid situation by further cuts and austerity or by borrowing on the scale of—or greater than—New Zealand, for example? Do you get a sense of what solution the UK is falling towards?

Gordon Wales: It is worth saying first that in the discussions that we are having with the Treasury, we are looking into a particular lever being deployed. As we all know, there has been a very substantial slowdown in areas such as construction, so it is likely that we will accrue fairly significant capital underspends as a consequence. One of the discussions that we are having with the Treasury is about whether the Scottish Government might be able to surrender some of that capital in order to be provided with an equivalent amount of resource spending. That is one discussion that is going on and, indeed, other devolved Administrations are having those sorts of discussions with the Treasury as well.

You will have seen that the UK Government has borrowed significant amounts of money through the UK Debt Management Office, but we know that the UK Government's fiscal response to the current situation will not be limited simply to borrowing. The UK Government has indicated that a review and reprioritisation programme is under way in Whitehall departments, and the intention is

that that will deliver an as-yet-unspecified level of savings, which will partly provide the means for the UK Government to be able to respond to the current situation. We are very significantly concerned about that, because the impact of such decisions could result in what we call negative Barnett consequentials. In other words, when the UK Government spends more and there is an equivalent devolved spending line, Barnett consequentials are provided. However, in the same way, if UK spending contracts in an area of devolved competence, that could see a reduction in the Scottish Government's budget later this year. We are concerned about that from both a volume perspective and a timing perspective, because if the UK Government were to do that substantially later in the year, the time available to Scottish ministers to respond to it would be very limited indeed.

Willie Coffey: I understand that. I have a final question. I take this opportunity to ask the permanent secretary about the current situation and its impact on our various programmes of work. For example, this committee has always been interested in information technology software development projects, particularly those under the social security heading, with the various software models that are in place there.

How have those been impacted, if at all, by the current situation? The transfer of powers, to enable social security powers to come to Scotland, is tied to our ability to design the software and deliver it all. Could you give us a brief update on where we are with all that?

12:15

Leslie Evans: Yes, of course. I will ask Lesley Fraser, who is responsible for the social security programme, to come in. We have looked at every area of our work with cabinet secretaries very carefully, and will continue to do so, to see where there is an opportunity to loosen up, delay, pause or free up some resource—financial and staffing, which I would say, being responsible for staffing as well. Often, the approach is about a slight delay or pause, not stopping or ceasing something, and what we can free up if we move things down the calendar line a little bit more. Lesley Fraser will probably want to say more about the particular social security and IT elements to which you referred.

Lesley Fraser (Scottish Government): As the Cabinet Secretary for Social Security and Older People has made clear, we have had to pause some elements of the programme, particularly in relation to the devolution of disability benefits. The pause was principally driven not by IT requirements but by the availability of health and medical staff to help us to design the assessment

procedures. We are maintaining the IT programmes in order to be able to continue the devolution of social security powers as and when we have access to the medical staff to help us with the assessment process.

The pause is driven by the health and social care impact; the IT and the main programmes continue. The cabinet secretary has also made clear the absolute priority of maintaining the delivery of a vital public service to people in Scotland. I am incredibly proud of what my colleagues in Social Security Scotland have done in moving the entire agency online and maintaining the delivery of our existing benefits to the people of Scotland.

Willie Coffey: Thank you very much for that answer, Lesley.

The Acting Convener: Permanent secretary, I have two final questions. They are slightly off topic, but are still relevant. We are currently living through a Black Lives Matter movement and I welcome the signs of solidarity that you and others in the Scottish Government have shown with minority communities, including by taking the knee. To be frank, however, people will judge the Scottish Government and officials on their actions, rather than their words. You lead one of the most chronically underrepresentative organisations in our country. What action are you taking to address that?

Leslie Evans: I agree that we have much more to do. This week—I refer not to gestures that I may have made, but what is going on in the world—I have redoubled my efforts and focused the organisation even more sharply on this issue.

I will give the committee some examples. We have done a lot of work to try to ensure that, when we are able to recruit externally, our recruitment reflects Scotland's diversity, and the diversity and inclusion policies of the organisation. Practical things that we have done are around where we recruit and how we attract people, bringing people into the organisation before they decide whether to apply for a job to see whether it will work for them, and how we open up the interest of schools and universities in modern apprenticeships and graduate development schemes. Such large-scale external recruitment has attracted a much more diverse set of applicants than we have previously had.

We now have the highest ever level of minority ethnic colleagues in the senior civil service. About 5 per cent of the population in Scotland are minority ethnic, and the percentage of minority ethnic staff in the senior civil service has gone from 3 per cent to 4 per cent. That is not enough, but it is working. We are providing a lot of mentoring support for our talent pipeline to ensure

that we are encouraging people to move up through the organisation.

More broadly, what I am particularly keen on, and have been emphasising in my communications and challenge to the organisation, is how we ensure that we are hearing all the voices in our policy making and work for the national performance framework.

Judging by its first meeting yesterday, the expert reference group, to which the First Minister referred earlier in the week, is already giving us real food for thought about how we are ensuring that what we claim to be important to the organisation is carried out in both our organisational responsibilities as an employer, which I take very seriously, and the work that we do. It is not just about who we are but about how we work. I am happy to give a more detailed response to the committee, if that is helpful, about some of the other strands of work that we are undertaking.

The Acting Convener: Thank you, permanent secretary. I will come back to the reference group in a moment. You will recall that I wrote to you about 18 months ago with a number of suggestions around how we can increase the representation of BME communities in our public sector. Part of that was asking for a race disparity audit to be done across the sector in Scotland. Part of it was looking at a funded mentoring scheme to try to encourage more talent and part of it was looking at our interview processes in terms of implementing blind CVs and so on and the Rooney rule that there is at least one BME candidate on a short list. Will you commit to at least take those suggestions forward? We have, for example, the Gender Representation on Public Boards (Scotland) Act 2018 whereby we aspire to have 50 per cent representation of women on public boards. However, there is no requirement to have BME representation on our public sector boards. Those are the practical steps that people want to see you and your organisation make. Will you commit to do that?

Leslie Evans: I will happily respond to you again on the issues that you raised and give you an update on what we have already implemented, what we are exploring, some of which is quite complex, and the impact of the measures that we have already implemented. For example, we already ask other parts of Government and other organisations to help us with our recruitment panels to ensure that we have minority ethnic community representation on our panels. We cannot always populate those from our own teams, because we do not always have enough free people in our organisation to do that. For example, we have helpfully borrowed colleagues from the Treasury who were able to come and sit

on our interview panels for some of the work that we did on external recruitment not long ago. I will happily commit to write back to you on the basis of my previous letter and give you an update on what we have done, what is still in train and what we have evaluated in terms of the impact of those changes.

The Acting Convener: Thank you, permanent secretary. You mentioned the reference group. As of last night—I have not had a chance to discuss this with them this morning—a coalition of over 70 BME organisations in Scotland said that they had no idea who the members of the reference group were and that no consultation had been done with them about the members of that group. Can you shed any light on that?

Leslie Evans: I am aware that the group met for the first time yesterday and I do not see any reason why we would not be publishing the names of the people in it. My understanding from what I have heard—this was just a snapshot this morning of the group's deliberations—is that it would be very keen to work with and hear from other groups. Again, I am happy to write to you and give you an update on both the publication of what the group is doing, its terms of reference and so on, and how it will be engaging with the wider community.

The Acting Convener: Thank you, permanent secretary. For those who are watching and might not know what we are speaking of, it is the reference group that the First Minister mentioned would be looking at the impact of Covid-19 on BME communities in Scotland. Do you wish to make any final comments, permanent secretary?

Leslie Evans: No. I think that we have had a good exploration of some of the key issues. Thank you, convener.

The Acting Convener: Again, I take the opportunity to thank you and your team for working round the clock during a very challenging time in a period of emergency. Thank you for all that work and those efforts. I know that it is an anxious time for everybody, so I sincerely wish you, your team and all your families all the very best. Thank you for your time this morning.

Leslie Evans: Thank you.

The Acting Convener: I suspend the meeting briefly to have a changeover of witnesses.

12:24

Meeting suspended.

12:26

On resuming—

Section 23 Report

“Affordable Housing”

The Acting Convener: Item 4 is the section 23 report entitled “Affordable housing: the Scottish Government’s affordable housing supply target”. With us from Audit Scotland, we have Caroline Gardner, the Auditor General for Scotland; Claire Sweeney, assistant director; and Kate Berry, audit manager, performance audit and best value. I invite the Auditor General to make an opening statement.

Caroline Gardner (Auditor General for Scotland): The report is a joint one with the Accounts Commission. It reports on progress towards the Scottish Government’s target to deliver 50,000 affordable homes between April 2016 and March 2021. It also considers what more the Scottish Government and councils need to do to continue to increase affordable housing for those who need it. Our work concluded before the Covid-19 health crisis, which will have a significant impact on the delivery of the target. That is not reflected in the report, but our findings and recommendations remain relevant.

The Scottish Government’s target is substantial and challenging, and good progress has been made towards meeting it. However, there are serious risks to delivering the remaining homes, regardless of the current health crisis. Those include a lack of capacity in the construction sector in some areas and the capacity of council planning and building control services. The planned rise of funding towards the end of the programme and the uncertainty about funding post-2021 intensifies those risks.

The target was a response to evidence of the need for more affordable housing in Scotland, but it is not clear how councils’ local assessments of need informed the specific target and the balance of tenures. That means that it is not possible to assess if the Scottish Government’s investment is targeted most effectively to deliver new homes of the right types in the right places. Councils are generally working well with their partners to plan and deliver affordable homes, but health and social care partners need to be more involved. We saw some good examples of community and tenant involvement, but some councils could involve tenants and communities earlier in project planning to help to ensure that the wider benefits of the investment are maximised. The investment is allowing councils to meet some of the housing needs in their areas and there is also evidence of wider community benefits such as local

employment and training opportunities. Overall, though, monitoring of the programme focuses on the number of homes being built, rather than the wider impact.

Affordable housing makes a big contribution to many other Scottish Government policies, such as reducing child poverty, and the Government could have done more to set out how its affordable housing target linked to other policies and to the outcomes it aims to achieve from its investment. The Scottish Government is developing its longer-term plans for housing and I hope that this report will be useful as the Government takes that work forward with its partners. As always, my colleagues and I are happy to answer the committee’s questions.

The Acting Convener: You mentioned the impact of Covid-19. I know that your report does not look retrospectively at what has happened in the past few months, but what are your thoughts on how the coronavirus lockdown will have impacted on the ability to meet those targets? In the longer term, what impact might the lockdown restrictions have on the construction industry in Scotland, and what does that mean for the Scottish Government’s ability to achieve its affordable homes target?

12:30

Caroline Gardner: We know that there will be an impact. As you suggest, convener, the construction sector stopped work pretty much across the piece in the middle of March and it is only now preparing to resume as we head towards phase 2 of easing the lockdown restrictions. It is not possible to quantify the impact of that.

The committee heard from Gordon Wales earlier about delays on construction projects more generally in the Scottish Government’s investment programme. All that will have to be looked at as the sector gets back to work. We do not know how far it is simply a matter of resuming what was already planned and how far there may have been a loss of capacity in some parts of the sector. It is important for me to be clear that, even before Covid-19, we thought that there were risks to the achievement of the target, due to a lack of capacity in construction in some parts of the country and in councils’ planning and building control services.

The Acting Convener: When will you be looking at the affordable housing target again to assess the period in which we have had the Covid-19 crisis?

Caroline Gardner: As I have said to the committee before, Audit Scotland is in the process of looking at how we pivot our work to respond to the crisis. We will be looking directly at the impact

of Covid-19 on the public finances and public services. Some parts of the performance audit programme will remain relevant and some will either be delayed or switched out for things that have risen up the priority list. We will talk to the committee about that in more detail at the end of this month, but I can give you an assurance that Audit Scotland will continue to monitor progress on the affordable housing target, even though I cannot at this stage put a date on when we will be reporting on it.

The Acting Convener: Thank you, Auditor General. I will hand over to Colin Beattie.

Colin Beattie: The report discusses the risks to delivery and highlights two particular areas of high risk to achieving the March 2021 target. Those are delays to construction because of the lack of skilled labour and delays in planning permission and other building consents, due to obvious pressures at council level. Will you expand on those risks, in the pre-Covid-19 context, and indicate how widespread they are across council areas in terms of councils' ability to cope?

Caroline Gardner: With your permission, convener, I will ask Kate Berry to pick that up. She is all over the detail on those questions.

Kate Berry (Audit Scotland): We have identified a number of risks to the programme and it may be worth giving a bit of context to them. It was planned that the funding would rise towards the end of the five-year programme, which means that we expect a rise in the number of completions towards the end of the programme. That means that there will be a bunching of completions towards the last two years, which we think will exacerbate some of the existing risks from the lack of construction capacity in some areas.

A report was commissioned by the Government from the short life working group on housing skills to look at the scale of the risks relating to construction capacity. The report has been published and it identifies particular shortages in the south-east of Scotland and the Highlands and Islands, and in certain skills including brick laying and site management. We have not been able to quantify exactly the skills risks throughout the country, but we know that there are risks in particular geographical areas and we heard from our fieldwork that Brexit might exacerbate them. For example, workers in the industry might move to projects down south where the pay might be higher.

In terms of the risks relating to council capacity, again there is a potential risk from the increase in the number of completions towards the end of the programme. Work that we have quoted in our report identifies surveys that highlight some of the pressures on the workforce in building services

and planning teams. There is a high number of potential retirees and the short-life working group on skills made recommendations on the recruitment of those professionals. We have yet to see a Government response to that report, but those issues are being considered as part of the Government's management of risk.

Colin Beattie: Focusing on the council issue, we all know that in most council areas there has been a serious reduction in the number of staff in planning departments and so forth. That is a worry. I have had complaints from developers that it takes two years and more to get planning permission through, which seems to me to be a long time. Do you have any statistics on how commonplace that is? Is it commonplace or is it patchy, or do you not have that information?

Kate Berry: We do not have concrete data. A local government overview report, which is due at the end of June, will have some more information on the risks to planning and the pressures on council planning services. I cannot quantify that at the moment. In our report, we quote some information about a survey of local authority building services that found that 81 per cent of councils building standards teams had reduced full-time equivalent numbers, and that 25 per cent of the existing workforce could retire within the next five years.

Colin Beattie: Have you found any indication that councils are addressing the problem?

Kate Berry: That was not a particular focus of our audit. We have identified that as a risk that needs to be managed by the Scottish Government in longer-term skills identification, and by local councils.

Colin Beattie: The question of the lack of skilled labour on construction sites has been highlighted in previous audit reports. Again, I ask the same question and you might or might not have the answer to it. Is there any indication that that problem is being addressed in any meaningful way? It is not new.

Kate Berry: You are right that it is not new. One of the issues that we identify in our report is about the deliverability of plans in local areas. There was a key concern at the start that there was not the capacity to deliver that substantial increase from the previous target. It takes time to step up plans to get the skilled labour and enough staff to make the plans happen. In future, there might be lessons for the Government to learn in thinking about the deliverability of the targets that it sets. Our report identifies some action that registered social landlords and councils are taking. Funding has allowed them to recruit apprentices and offer work placements that will help to build skills locally.

Colin Beattie: The report concluded at the point of its publication that the target, particularly the socially rented element, was at serious risk of not being met. What is the current assessment? Is there any update on that?

Caroline Gardner: As I said in my answer to the convener's question, we know that it would have been difficult in any case. Covid-19 has made it impossible, and the Government has acknowledged that it will not now be possible to meet the target by March 2021.

Alongside all the other things that it requires to do, it is important for the Government to set out its plans for after the current programme, which was due to end in March 2021. The uncertainty about funding and the targets thereafter was one of the factors that was making it harder for councils and registered social landlords to plan, but the hiatus that we have been through and the disruption to the economy make it all the more important to be thinking longer term about how much the Government intends to be able to invest and what it wants that investment to achieve.

Kate Berry, did you want to add anything to that?

Kate Berry: I would just add that we know that the Scottish Government has been closely monitoring the targets, and we expect that it will still be doing that. The area teams were working closely with councils in their regional areas and having regular meetings about the progress of their plans so we expect that work to continue, and the Government to consider its impact.

The Acting Convener: I now hand over to Bill Bowman.

Bill Bowman: Auditor General, I have a couple of questions about affordability and specialist housing. In paragraph 14, you say that there is no common definition of affordability and that it can be confusing for tenants and the public. During the audit, stakeholders who were not closely involved in delivering the target were not always clear what the Scottish Government meant by "affordable". Do you know what it means? Is it a case of it not being clearly defined at the outset of the programme, or is this a communication issue?

Caroline Gardner: I honestly think that it is a case of it being complex. If we break down the target, it is for 50,000 new affordable homes between April 2016 and March 2021. Within that, the intention was that homes for social rent would make up 35,000 of the target, to be delivered by councils and registered social landlords; homes for mid-market rent and affordable home ownership would make up the other 15,000.

The complication is that what is affordable in any particular instance depends on the household

make-up—people's income and their other circumstances, such as the size of the family—and the local environment. It is not possible to put a figure on what affordable housing means in any of those categories, but the point that we were trying to convey was that the targets are well understood by the councils, registered social landlords and wider housing associations that were involved but perhaps not well understood by the wider public and people like you and me.

Bill Bowman: You referred to the local environment; does that mean that "affordable" could have a different definition in different parts of the country? Could some people say that they have met the target but we are comparing apples and oranges because they are not exactly the same targets, money-wise?

Caroline Gardner: They are certainly not the same targets, money-wise. A simple example in the homes for affordable home ownership category is that the limits are very different between, for example, Inverclyde and Edinburgh. That is for reasons that we would intuitively understand, but it does not mean that a figure can be put on it to say that this is the cap that applies across Scotland.

Bill Bowman: You also note that there is an expectation that the rent that would be charged for social housing that has been funded through the programme would only apply to the first let. What happens thereafter?

Caroline Gardner: I will ask Claire Sweeney to talk you through that—she is our expert on affordability.

Claire Sweeney (Audit Scotland): Thank you, Auditor General. After the first let, the RSL's rent policy would apply, so the rent would revert back to the rent policy that is in place for each registered social landlord. We did not look at the appropriateness in any great detail, as it is not for us to conclude on that. That is the local arrangement.

Bill Bowman: Does that mean that there is an opportunity to get funds from this programme and, in the long term, an affordable rent could go and there would be a less affordable rent?

Claire Sweeney: The situation will vary locally. In the report, we have tried to set out some factors that will be taken into consideration by social landlords when they set their own rent policy—those policies vary. It is worth mentioning that, in our 2013 report on housing in Scotland we said that more clarity was needed on affordability. Since then, the programme guidance on affordable housing has built in some assumptions, so parameters are built into guidance for councils that are carrying out housing needs and demand assessments to try to build in broad assessments.

However, trying to pin down a one-size-fits-all definition of what is affordable is not practical, so there are variations across registered social landlords and local authority arrangements.

Bill Bowman: With regard to specialist housing needs, paragraph 60 covers the provision of new affordable housing that meets special needs for older people and people with disabilities. Between 2016-17 and 2018-19, 1,577 homes were purpose-built for older people and 742 for disabled people. Is that a sufficient number? Where did the figures come from?

12:45

Caroline Gardner: One of the challenges that we highlight in the report is that, although it is clear that the 50,000 target was a response to the general housing need that had been identified not least by organisations such as the Chartered Institute of Housing in Scotland, the Scottish Federation of Housing Associations and Shelter Scotland, it is not clear how that target was informed by individual councils' assessments of demand and need in their areas, particularly with regard to the sorts of dimensions of that need that Mr Bowman describes: housing for older people or those with special needs. That is one of the reasons why we think that the target could be more clearly linked to that assessment of need in future, and that the monitoring of the achievement of that target could be more nuanced and transparent so that it would let us know how well the affordable housing programme is meeting the need and the wider outcomes that the Government is trying to achieve through its investment. Kate Berry may want to expand on that.

Kate Berry: I do not have much to add to what Caroline Gardner has said. Mr Bowman asked about where those figures have come from. They are reported in the Scottish Government's annual affordable housing supply outturn reports. That gives information on where the funds have been spent, the amount that has been spent on each type of programme and the number of completions in each council area. The number of purpose-built houses by council area is not reported.

We have identified that there could be some improvements in the comprehensive nature of the Scottish Government's reporting. I am referring to units that are purpose-built for particular types of housing need, but we also note that that may not take into account the full number of what has actually been provided, because some houses might be suitable for older people or those with special needs, for example, but they would not be classified as purpose-built.

Bill Bowman: I would expect that housing for older people would have certain themes—older people will have common needs—but disabled people could have very specialist needs. Do you have any further information on what type of specialisation the properties for those with disabilities have?

Kate Berry: Yes. That type of specialisation could be quite wide ranging. The Government expects that all properties that are funded through its grant funding programmes will meet what is called its housing for varying needs standard—a low level standard that might suit those with different mobility problems. Some people will have specialist needs. For example, wheelchair users might require other support and different standards of housing. In some areas, we saw that councils will work to build in features that could support the needs of people who they have identified as being in need of specific types of housing. That cannot always happen, because the need for a wheelchair or housing that accommodates a particular need cannot always be predicted. We have seen some element of joint assessment and a process where houses are designed to meet the tenant's particular needs where those have been identified.

Bill Bowman: I have a final question on the needs of disabled people. When houses are built to meet a specific need, are they designed in a way that they can be repurposed if that person moves or someone else moves in?

Kate Berry: Again, that would depend on the design of the property. Our report identifies that one of the councils is looking at building properties that are a bit more flexible. For example, there could be the potential for a wet-room shower to be installed, if that is needed. That would account for people's changing circumstances. Even if a person were to move out of specialised accommodation, work could be done to make it suitable to meet the needs of the next occupant. Again, that would just depend on individual councils and developments.

Alex Neil: First, I declare an interest. As Cabinet Secretary for Social Justice, Communities and Pensioners' Rights with responsibility for housing, I drafted and submitted a paper to the Cabinet about the programme and for the funding to build 50,000 affordable houses. Did the Auditor General have access to that cabinet paper?

Caroline Gardner: I will have to hand that question on to the team. I certainly have not seen it personally, so I will ask Claire Sweeney and Kate Berry to let you know whether either of them has seen it.

Claire Sweeney: I have not seen it. I am not sure whether Kate has seen it during her detailed work.

Kate Berry: We have had access to a number of Scottish Government documents, but I do not recall seeing the initial Cabinet paper.

Alex Neil: The reason I ask is that, if you dig out that paper, you will see that it addressed a lot of the issues that you said were not being addressed. It looked at why 50,000 was the right figure; it looked at the skills shortages challenge and tried to address that; and it looked at land availability and similar issues. The original policy decision of the Cabinet was on a comprehensive paper—I remember it well. In fact, the Cabinet identified most, if not all, of those issues as needing to be addressed. The issue is why they were not subsequently addressed, and we need to find out why that was.

If we take the issue of skills shortages, for example, the latest figures from the Construction Industry Training Board estimate a shortage of 12,500 people with the relevant skills, mainly in the wet trades, that we need in the construction sector in Scotland, not just for this programme. Did you speak to the CITB about its estimate of the skills shortages?

Caroline Gardner: I will take the part of the question about evidence for the target.

It is a question for Government as to why it did not provide that evidence to us. We have been asking for that throughout the process of the audit. When we cleared the draft report for factual accuracy, the Government will have seen our finding that the evidence was not available to us. That is the point at which we make a final check for whether there is something that we should have seen that we have not. If that is the case, it is a question for the committee to pick up with the Government.

Kate Berry is the person to talk to about who we spoke to on the skills agenda.

Kate Berry: As part of our audit, we interviewed a number of stakeholders, mainly those in our case study areas. We also spoke to a number of other external stakeholder bodies. We did not speak directly to any representatives of the construction industry, but we used evidence from a number of reports, including that of the short-life working group on skills, which contains some estimates on the construction sector.

Alex Neil: One of the things that you mentioned was that some people said that Brexit was, or contributed to, the problem, and the reason given for that was that some people were attracted down south by better money. They have always got better money down south. That process has

accelerated in recent years, but the main reason for it has nothing to do with Brexit and was happening long before Brexit. A lot of the UK house builders decided that, because of planning problems and other issues up here, they would focus their investment in places such as Birmingham rather than Scotland. In the past year or so, about half a dozen national house builders took the decision to withdraw from Scotland because they reckoned that they could make more profit in places such as Birmingham and Manchester. It is bit more nuanced and comprehensive than you are suggesting.

Kate Berry: I understand that there is a wide range of reasons for the skills shortages. Our audit did not go into the detail behind the changes in the construction industry. Our main point is that skills shortages are a risk to the delivery of the target, and Brexit might exacerbate that risk.

Alex Neil: Yes, but you have to put that in context. You cannot just say “Brexit”. That is the answer to everything: blame Brexit. There is no evidence. Where is your evidence, other than anecdotal, that Brexit was partly to blame?

Kate Berry: I do not think that we are blaming Brexit in the report. I think that we have identified that—

Alex Neil: You have said this morning that it is a contributing factor to the skills shortage. Where in the report is the evidence of that?

Kate Berry: We say in paragraph 96 of the report that it

“could potentially be exacerbated by EU withdrawal.”

Alex Neil: Where is the evidence for that?

Caroline Gardner: Can I step in?

The Acting Convener: I will hand over to the Auditor General, but I think that saying that it will potentially exacerbate the skills shortage does not necessarily mean that it will definitely cause it. I will let the Auditor General come back in.

Alex Neil: There is no evidence.

Caroline Gardner: The point that we are making in the report, Mr Neil, is that skills shortages in the construction industry are a risk to the delivery of the target and the continuing ability to meet the needs for affordable housing across Scotland.

Alex Neil: Agreed.

Caroline Gardner: You are right that a range of factors underpin that. The wider point that we are therefore making is that it is important that the Government looks at deliverability as well as housing need in thinking about the target that it wants to set, the timescale over which it wants to deliver it and the location and balance of tenures

that are involved in that. I understand that Brexit is one of those topics that evoke strong views, and we do not have evidence at this stage of what the impact will be at the end of the transition period. However, the wider point of the report is the importance of deliverability and the continuing risk of shortages in the construction sector.

Alex Neil: I accept the wider point, because it is evident that that is the case. However, I think that an audit report should not be saying something is a potential contributor unless you have evidence to that effect, and I do not see the evidence.

Caroline Gardner: The evidence on which we base the assertion—as the convener said, we were careful to caveat it as being a potential factor that was exacerbating—

Alex Neil: But there is no evidence of a potential Brexit impact. You are saying that it has a potential impact, but even the use of the word “potential” in an audit report requires the provision of evidence. The whole point of your report is, quite rightly, the demand that the Government produce evidence. However, you have made a statement in the report but have not produced any evidence to back it up, even on a potential basis.

The Acting Convener: You have made your point on several occasions now, Mr Neil, so you can move on to the next question.

Alex Neil: Right, will do. I have a question about land availability. Clearly, land is a major cost. Across Scotland as a whole, it typically represents 25 per cent of the cost of new housing on average, but that varies widely. How important do you think that land availability is for the constraint aspect? Obviously, we all accept that skills shortages are a major constraint and so is planning, as Colin Beattie rightly said. However, land availability, particularly in rural areas, can be a major problem because there is no obligation on private landowners to give up a percentage of land for social housing.

Caroline Gardner: You are right. We highlight the availability of land that is suitable for development and land with the necessary infrastructure as one of the risks looking forward to the next period, and there is increasing uncertainty around that. Kate Berry is probably the person to pick up that question.

Kate Berry: Yes. We identify a number of challenges to meeting the affordable housing target in Scotland and one of those is the availability of land. The pressures on land will vary geographically and we have identified some pressures in rural areas. One of the issues that stakeholders told us about was the condition of some of the land that is left. Obviously, we have had quite a big building programme so far and some of the easier sites, if you like, have been

built on. What is left in some areas now are brownfield sites that might need a bit more time and money spent on them to prepare them for building on. We identify some of the actions that the Government and councils are taking to address the wider challenges to providing affordable housing. Some of those issues are identified in exhibit 9 in part 3 of the report. For example, at a council level, councils can use their section 75 affordable housing policies to overcome issues of land being in short supply. I do not know whether that answers Mr Neil’s question.

13:00

Alex Neil: That answer is fine, Kate. My final question is about housing policy down the years under successive Governments, from way before the Scottish Parliament was established, which has included Governments taking equity—typically 40 per cent—when providing new housing. A total historic value at purchase price of the equity is hundreds of millions of pounds and the market value of the houses is probably well over a billion pounds. At a crucial time when the Scottish Government needs money, all that equity is tied up but it seems to me that it could potentially be released to make funds available to invest in new housing, for example. Have you had a chance to look in detail at that issue, or will you in future?

Caroline Gardner: We have not looked at it in detail in this report, Mr Neil, but the committee might want to explore it with the Scottish Government. I am sure that the new Auditor General will want to take it into account when he looks at the new performance audit programme, which will look ahead after the current review. There are clearly long-term issues about the value of homes and the way in which the Government chooses to use its financial transactions budget to invest that would be entirely appropriate to explore with Government.

Alex Neil: A related issue is the value of the help-to-buy scheme. I am a sceptic about whether help to buy is good value for money. I think that it pushes up prices and the construction companies’ profits. It is a dead weight and does not add a great deal to the total supply of housing. Are you looking at that area?

Caroline Gardner: The help-to-buy scheme is not within the 50,000 target, as I am sure you know. My colleagues in the National Audit Office have looked on it as primarily a UK Government target. They, too, have expressed reservations about its effectiveness. Again, I think that it is one of the things that my successor as Auditor General will want to look at in the work programme.

Alex Neil: Thank you very much indeed.

The Acting Convener: Liam Kerr.

Liam Kerr: I will look at council funding, which is at page 17 and onwards in your report. One section indicates that the Scottish Government can reallocate funds if a council is unable to spend its funding in a given year, perhaps for slippage or some such. Your report goes on to say that

“it is not always clear about how decisions to reallocate funding are made.”

Does “not always clear” mean that sometimes it is clear, or is it a euphemism—of the sort that I tend to use, to be honest—that it is not clear at all. In any event, what needs to change—and will it change?

Caroline Gardner: I will bring Kate Berry in on the detail. We try not to use euphemisms and to be precise, so I am sure that we mean that it is not always clear. Kate can tell you more about the detail that underlies that.

Kate Berry: Councils are allocated their local programme funding and get notice of what it will be over a three-year period, which allows them to work with their partners to plan projects over the three years. As you have acknowledged, projects might sometimes have delays or there might be reasons why all the money could not be spent in a particular year. An example is a council that is master planning an area for regeneration, which might take a lot of time at the start and then slip over.

There is generally a bit of movement in the Government’s programme that is not new but part of the previous programme. I think what we were getting at was that, when decisions to move funding were made, the basis for why one bit of funding was moved to another area was not always clear.

There are obvious reasons for deliverability, but it is important to look at the spend over the five-year programme. We have identified big variations between council areas, so it would be good to get under the skin of that a bit more at the end of the five-year programme and maybe be clearer about why decisions have been made to move funding to a particular council area. To be fair, the Government says that it tries to keep the funding within the broad regional area so that that movement of funding will benefit the wider regional housing market.

Liam Kerr: Yes. Forgive me for pushing back on that, but my point is that, if decisions to reallocate funding are “not always clear”, that is not always desirable. If I was sitting where the Government was—or certainly where the councils were—I would want clarity, because I would want to know what the criteria were for how the money would be reallocated when there was slippage. Do you get any sense of someone having that conversation and doing something about it?

Kate Berry: We know that the area teams work quite closely with the local offices, so they will have a good understanding of programming issues at a local level. However, in the documentation that we could see, it was not always that clear whether there were any guidelines about how those decisions might be made.

Liam Kerr: I will move on. In the same area of your report, it states:

“Councils and RSLs are investing significant resources”
of their own to meet the target,

“but it is difficult to calculate the total investment.”

It seems important to me that we have an overall figure for the investment. Are steps being taken to address that so that, at the end of the programme, we can tell very clearly how much public money has been spent and benchmark that against what has been achieved?

Kate Berry: The Government’s outturn reports have quite a bit of information about expenditure data. We have identified that we have information on the data for projects when they are approved. In some cases, costs may rise after the projects are approved, but we do not have that data. We do not think that it is a great deal, but we have found it hard to get an exact figure for that additional expenditure. However, we note the costs of what the additional funding has been in terms of what has been approved. As for what the Government is doing to improve that information, I think that that is a question for the Government.

Liam Kerr: Okay. I will put that question to the Government. I know that we cannot get a figure, but the question is about what someone is doing to address that. Your point is a fair one, and I will put that question to the Government.

Finally, you say in paragraph 41 that, if an approved project goes over budget and the council or the RSL pays the extra, that “is not recorded”. Given the challenges that Scotland’s councils are facing in their budgets, that non-recording is surprising to me. Should the Scottish Government be capturing that? If it is not, do you get any indication that it will?

Kate Berry: The Government would know whether project costs had risen after a project was approved if the council or the RSL went back to seek further grant funding, but that does not always happen. As I said, we think that the sum of money involved is probably not big, but it is also probably not comprehensive.

Liam Kerr: Yes, but it is not recorded.

Kate Berry: No, it is not recorded.

Liam Kerr: I find that rather surprising, but perhaps that is another question that I will put to the Scottish Government.

Willie Coffey: I have a little question for Caroline Gardner on the role of health and social care partnerships in taking forward housing. I appreciate that the report was researched and produced pre-Covid, but do you get a sense that since the start of this health emergency and disaster, we are all beginning to think about how we can do things differently and better in the future? Does that also apply to housing programmes that we can see in front of us and in your report? Can you give us a little flavour of how you see that impacting on how we deliver those kinds of programme in the future and whether that might involve closer working partnerships with our health and social care partnership teams?

Caroline Gardner: That is a great question, Mr Coffey.

From the work that we have published in the past, you will know that the Government has been ambitious in its outcomes approach in the national performance framework, and that one of the ways in which it aims to improve the health and wellbeing of the people of Scotland is through much closer working between health and social care, and also between health and housing, and health and a range of other public services that contribute towards the health of the population. We have reported that the outcomes approach is not always followed through in terms of decision making and allocating money and other resources and, in particular, that health and social care partnerships and the integration authorities have not yet had the impact that they were intended to.

One of my personal hopes is that, alongside all the loss and devastation that we have seen as a result of the Covid-19 pandemic, we start to look much more closely at the way in which all those things are interlinked and at how we make use of our resources, which are bound to be constrained in the near future, to have more of an impact on the lives of the people who need help most.

Earlier, the committee heard from the permanent secretary a little bit about the work that is being done on renewal, looking ahead to the new programme for government. In this instance, for example, I would like decisions on how much is invested in housing to be closely linked to the way in which such houses can help to improve child poverty, the health of people with disabilities or older people, and the sustainable economic regeneration of local communities. None of that is easy, but it feels as though there is an opportunity to do it, and we have all recognised how much it matters as a result of the impact of the pandemic.

Willie Coffey: As far as I can make out, approximately 40,000 citizens in Scotland live in care homes, and we know that there are links between the services that we deliver in that system. Is there a case to be made for thinking more innovatively about how we look after our senior citizens in the future, whether they live in a care home, or whether they live at home with enhanced services provided by the council that support people to live in their own accommodation, closer to or among their families? I know that that is a bit of vision gazing and perhaps you do not want to comment on that, but I would appreciate your thoughts on the possible direction of travel, given what we are going through at the moment.

Caroline Gardner: I am happy to start that off and then I will bring in Claire Sweeney.

In a sense, what I have been saying in my reports on the NHS over the past eight years is that the NHS is increasingly caught up in the short-term problem of trying to deal with the needs of older people who, fundamentally, do not have acute healthcare needs but need social care and support, a lot of which is about housing that enables them to stay safely at home and that adapts and grows around them as they become frailer or their needs change.

Claire Sweeney is focused on those issues as part of our work on this. Perhaps she can add to that.

Claire Sweeney: The response to Covid is an opportunity to start looking at how services are delivered differently and to put the citizen at the heart of discussions. We have seen how that has started in the response to homelessness issues, for example.

However, there are some risks with that. There is pressure around economic factors and we have already talked a little bit about capacity. Those risks feature on everybody's risk register, including in terms of those partnerships coming together and being at the table to help make more radical decisions with communities.

In the report, we reference our previous work on health and social care integration, in which we saw similar barriers getting in the way of a good visionary approach to working across systems. You have heard from us before about different cultures, resource pressures and leadership and direction not quite being where it should be.

13:15

However, there is ambition and enthusiasm. In paragraph 46 of the report, we mention that the Scottish Public Health Network said that there was enthusiasm for doing things differently and for

closer involvement with health and social care partnerships, which will be at the root of putting different arrangements in place for people in care homes and older people. It is in trying to realise that in a practical sense that we sometimes stumble.

Willie Coffey: Thank you for that insight.

Neil Bibby: Your report discusses the importance of tenant and community involvement in plans for new affordable housing, but suggests that approaches are mixed across council areas. You highlighted South Lanarkshire Council as being a good example. What steps are being taken to ensure that good practice in that regard is being shared?

Caroline Gardner: We have looked closely at that in this report, and the Accounts Commission has a great interest in community engagement more generally. We recently published some work on principles for community empowerment.

Claire Sweeney can pick up on what good practice looks like in what we have seen elsewhere.

Claire Sweeney: The principles that we published on community empowerment were drawn together from wide engagement with experts and by looking at community empowerment across a range of different services and areas, particularly focusing on aspects such as the regeneration of communities. We saw some common themes, which made our community engagement a success and we learned a lot through that piece of work.

We highlighted five big areas: communities having a sense of control and driving the agenda; having good public sector leadership so that the conditions are in place for communities to respond well; effective, open and transparent relationships being at the heart of making community empowerment work well; the need for a relentless focus on improving outcomes—a common thread throughout the report is the need for a clearer picture about the positive difference that investment is making—and, finally, the need for accountability so that there is a sense of communities being able to hold public services to account.

We recognised those things as important for community empowerment, and there are good examples of them sprinkled throughout the report. We want a much more consistent approach that is not just about surveying people or focus groups, but communities being involved and hard-wired in right at the start of any decisions that are being made that will affect them. That is a strong message in the report and Audit Scotland and the Accounts Commission will continue to take a keen interest in it.

The Acting Convener: There are no further questions from members. Auditor General, do you want to make any final comments?

Caroline Gardner: There is nothing to add from me—thank you.

The Acting Convener: I thank you and your colleagues for your evidence. I gather that this is Claire Sweeney's final meeting with the Public Audit and Post-legislative Scrutiny Committee, so I wish her all the best in her next endeavour. I am sure that we will engage with her in her role at Public Health Scotland at some point in the future.

13:18

Meeting continued in private until 13:47.

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