



**FINANCE COMMITTEE**

**AGENDA**

**30th Meeting, 2006 (Session 2)**

**Tuesday 28 November 2006**

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

1. **Declaration of interests:** Gordon Jackson MSP will be invited to declare any relevant interests.
2. **Bankruptcy and Diligence etc. (Scotland) Bill:** The Committee will take evidence on the supplementary Financial Memorandum from—  
  
Andy Crawley, Bill Team Leader, Scottish Executive and Gillian Thompson, Chief Executive, Accountant in Bankruptcy
3. **Budget Process 2007-08 (in private):** The Committee will consider its draft report on Stage 2 of the Budget Process 2007-08.
4. **Custodial Sentences and Weapons (Scotland) Bill (in private):** The Committee will consider its draft report on the Financial Memorandum of the Custodial Sentences and Weapons (Scotland) Bill.

Susan Duffy  
Clerk to the Committee  
Room T3.60  
Extn 85215

The papers for this meeting are:

**Agenda Item 2**

Paper from the Clerk

[FI/S2/06/30/1](#)

Supplementary Financial Memorandum for the Bankruptcy and Diligence etc. (Scotland) Bill

[FI/S2/06/30/2](#)

**Agenda Item 3**

Supplementary submissions from:

[FI/S2/06/30/3](#)

- Minister for Finance and Public Service Reform;
- Minister for Health;
- Scottish Parliamentary Corporate Body;
- Scottish Public Services Ombudsman; and
- Scottish Women's Budget Group.

PRIVATE PAPERS

**Agenda Item 4**

Supplementary submissions from:

[FI/S2/06/30/4](#)

- Scottish Executive; and
- Scottish Prison Service.

PRIVATE PAPER

**Finance Committee**

**30<sup>th</sup> Meeting 2006 – Tuesday 28 November 2006**

**Bankruptcy and Diligence etc. (Scotland) Bill – Supplementary Financial Memorandum**

1. Under Rule 9.8B of Standing Orders, if a Bill is amended at Stage 2 so as to alter substantially any of the costs set out in the Financial Memorandum, then a Supplementary Financial Memorandum will need to be produced and this must be done no later than four days before Stage 3.
2. The Committee has previously agreed that when a Supplementary Financial Memorandum is produced in time for consideration at a Committee meeting that the clerks would arrange (where possible) for Executive officials to give evidence to the Committee. If, following this evidence there are concerns or views on the new financial information then the Committee will nominate one member to convey these views on behalf of the Committee during the Stage 3 debate.
3. A Supplementary Financial Memorandum has been produced for the Bankruptcy and Diligence etc. (Scotland) Bill and the Bill team leader will be attending the meeting to give evidence.

Susan Duffy  
Clerk to the Committee

# **BANKRUPTCY AND DILIGENCE ETC. (SCOTLAND) BILL**

[AS AMENDED AT STAGE 2]

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## **SUPPLEMENTARY FINANCIAL MEMORANDUM**

### **INTRODUCTION**

1. As required under Rule 9.7.8B of the Parliament's Standing Orders, this supplementary Financial Memorandum is published to accompany the Bankruptcy and Diligence etc. (Scotland) Bill as amended at Stage 2 and should be read in conjunction with the original Financial Memorandum (printed separately as SP Bill 50–EN). It has been prepared by the Scottish Executive in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Parliament.

### **PURPOSE**

2. This supplementary Financial Memorandum has three purposes. They are to clarify the estimated cost to the Scottish Administration of bankruptcy reform as a result of—

- a rise in insolvencies caused by underlying trends in the UK economy,
- the introduction at stage 2 of 'low income, low asset' sequestration, and
- the changes proposed to be made to protected trust deeds by secondary legislation made under the Bill.

### **General rise in insolvency numbers**

3. Paragraph 692 of the original Financial Memorandum provides an estimate of the costs to be incurred by the Accountant in Bankruptcy (AiB) in implementing bankruptcy reform in 2006/07. The AiB is an agency of the Justice Department of the Scottish Executive, so the costs incurred by that office are costs on the Scottish Administration.

4. The take up of sequestration and other insolvency measures is affected by wider economic trends such as ease of access to consumer credit. Insolvency numbers have risen in the recent past as discussed below. The AiB registers all Scottish sequestrations and trust deeds, and administers many sequestrations. Any rise in the number of insolvencies will therefore have an effect on the costs on the Scottish Administration.

5. Any such rise will also have an effect on the costs of implementing the Bill, to the extent that the Bill introduces new procedures. This is because the cost of the changes will depend in

part on the number of insolvency cases being administered by the AiB at the date of implementation. The Executive therefore allowed for a rising trend in insolvency numbers when estimating the costs of reform.

6. The Financial Memorandum does not set out how exactly the Executive had made an allowance for the impact of rising insolvency numbers. However, the Finance and Enterprise and Culture Committees both heard in evidence that AiB had assumed in mid 2005 when estimating costs for the Financial Memorandum that sequestration numbers would rise by 25% between the introduction of the Bill in 2005/06, and the start of implementation in 2006/07.

7. Not all the costs of reform are sensitive to changes in insolvency numbers. For example, information technology costs are relatively fixed. The Executive therefore wrote to the Enterprise and Culture Committee on 5 May 2006 to clarify that the 25% assumption was applied in three areas:

- The estimate of the number of sequestrations at implementation for the purpose of managing the new bankruptcy restrictions regime (section 2 of the Bill),
- The estimate of the number of debtor applications for sequestration that will be transferred at implementation from the courts to the Accountant in Bankruptcy (section 14 of the Bill), and
- The corresponding savings for Scottish Court Service from a lower number of sequestration applications.

8. The Executive also clarified that in its view sufficient funding had been secured to meet the costs of bankruptcy reform, even although it was expected in May 2006 that sequestration numbers would rise by about 50% in 2005/06.

### **Low income, low asset sequestrations**

9. New section 14A of the Bill as inserted at stage 2 provides for a new route into sequestration for low income low asset (LILA) debtors. People who are not 'apparently insolvent' under section 7 of the Bankruptcy (Scotland) Act 1985 will be able to apply to the Accountant in Bankruptcy for sequestration, provided they meet the criteria specified in the Bill.

10. The criteria in section 14A are that the debtor has income of £100 or less, assets of £1000 or less, and does not own land. The basis on which income and assets are calculated will be further specified in regulations that it is proposed will be made under the 1985 Act. For example, the Executive is considering whether income based state benefits should be counted towards the calculation of the £100 figure.

11. Apparent insolvency is thought to be a significant barrier to debt relief through sequestration for people who do not have enough income or assets to make diligence worth the expense. Such people are still caught in a debt trap with all the unpleasant consequences that follow, and the purpose of LILA sequestration is therefore to enable them to get debt relief.

12. It is thought that significant numbers of people will be able to take advantage of debt relief for the first time when the LILA provisions come into force. This reform is therefore expected to lead to a significant rise in sequestrations as a ‘backlog’ of cases is cleared in the first and second years after implementation.

13. A rise in sequestrations due to the LILA change does not necessarily mean that the number of insolvent people has risen. Reform will rather lead to a better match between the number of people needing debt relief, and the number who are able to go bankrupt. It is expected therefore that the number of sequestrations resulting from LILA cases will level out after that backlog is cleared.

### **Protected trust deed reform**

14. Section 18 of the Bill provides a new enabling power in Schedule 5 to the Bankruptcy (Scotland) Act 1985. That power can be used to prescribe the conditions under which debtors who grant trust deeds for creditors can become protected from enforcement action or sequestration.

15. The Executive consulted on draft regulations and a partial regulatory impact assessment between January and April 2006. It is now considering responses to the consultation by creditors, and comments made about the impact of reform from stakeholders such as the insolvency practitioner profession. A final decision on the changes will of course not be made until such time as Parliament agrees the proposed changes.

16. It is all the same clear that the Executive intends to make significant changes to protected trust deeds (PTD) using such powers as are agreed. The Finance Committee made the point that the Financial Memorandum should have made some reference to the costs of PTD reform in order to enable proper scrutiny, and this supplementary Memorandum makes good that oversight.

## **BANKRUPTCY – COSTS ON THE SCOTTISH ADMINISTRATION**

### **Changes in take up of insolvency measures affected by the Bill**

17. Year end figures from the AiB confirm that there was a 54% rise in sequestrations during 2005/06. The number of sequestrations has levelled out since then, and on current trends it is expected that there will be only a small rise in sequestrations during 2006/07.

18. The AiB is responsible for administering PTD. It is expected that reform will increase the level of oversight exercised by the AiB, and administration costs can be expected to rise accordingly. PTD numbers rose by 17% during 2005/06, and are expected to rise by 20% during 2006/07.

19. The AiB is responsible for administering the Debt Arrangement Scheme (DAS). Current take up is low. The Bill therefore makes (or enables) significant changes to the Scheme that are expected to improve take up. The changes include providing for freezing of enforcement on

seeking creditor agreement to a debt payment programme, and for freezing of interest and charges on approval of a debt payment programme by the AiB.

20. It is thought that overall insolvency numbers will continue to rise until at least 2009/10 as a result of general economic factors, including rising interest rates and excessive consumer borrowing. For example, there has been about a 50% rise in bankruptcies in England and Wales in the year to date.

21. The take up of particular insolvency measures will however be affected by changes in the Bill, or in secondary legislation under the Bill. For example—

- LILA sequestration is expected to lead to a sharp initial rise in sequestrations,
- Ensuring higher payments to the creditors in a PTD is expected to lead to a rise in sequestration and DAS numbers,
- Freezing of interest and charges is expected to lead to an increase in DAS numbers.

22. Table 1 therefore shows actual or estimated take up rates in the period from April 2005 to April 2010 for ‘standard’ sequestration, LILA sequestration, PTD and DAS. Table 2 shows the percentage rates of change from year to year using those figures or assumptions as appropriate, although it should be noted that DAS numbers start from a very low base.

*Table 1 - Projected change in insolvency numbers 2005 to 2010*

<b>Type</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>Sequestration</b>	5423	5500	6750	13000	16000
<b>LILA</b>	0	0	5625	7500	3750
<b>PTD</b>	7199	8650	10400	3000	3600
<b>DAS</b>	200	300	500	3350	4300
<b>Total</b>	12822	14450	23275	26850	27650

*Table 2- Percentage change in insolvency numbers 2005 to 2010*

<b>Type</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
<b>Sequestration</b>	54	1.5	22	92	23
<b>LILA</b>	-	-	-	33	(50)
<b>PTD</b>	17	20	20	(70)	20
<b>DAS</b>	-	50	66	570	28
<b>Total</b>	30	13	60	3	0

### **Costs on the Scottish Administration**

23. The Financial Memorandum estimated the cost of bankruptcy reform in 2006/07 at £1.442 million. That figure has now been reviewed to take due account of the costs of PTD, DAS and LILA reform. A revised estimate of costs for 2006/07 has therefore been prepared along with an estimate of costs in 2007/08.

24. The estimated cost in 2006/07 is £1.250 million, comprising—
- £107,100 for 16.5 additional staff,
  - £33,000 for training and recruitment,
  - £64,000 for administration costs, and
  - £1,046,000 for IT development
25. The estimated expenditure in 2007/08 is £1.902 million, comprising—
- £742,000 for 38 additional staff (including 16.5 from 2006/07),
  - £164,000 for temporary staff
  - £43,000 for training and recruitment,
  - £299,500 for administration costs, and
  - £653,400 for IT development

The total cost in 2007/08 will however be reduced by fee income and administration savings estimated at £461,000. The overall cost in that year is therefore estimated at £1.441 million.

#### **SUMMARY TABLE OF COSTS ON THE SCOTTISH ADMINISTRATION**

<b>Proposal</b>	<b>Reference (paragraph numbers refer to the original Financial Memorandum)</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09 and subsequent years</b>	<b>Comment</b>
<b>BANKRUPTCY</b> Accountant in Bankruptcy	Para 692	1.25m*	1.44m*	536,000	
Student Award Agency	Para 697	-102,213	-102,213	-102,213	Based on assumptions using historic write off
Scottish Court Service	Para 698	-60,000	-60,000	-60,000	Saving on court costs
<b>FLOATING CHARGES</b> Registers of Scotland	Para 705-709	375,000*	462,500*	175,000*	

*This document relates to the Bankruptcy and Diligence etc. (Scotland) Bill as amended at Stage 2 (SP Bill 50A)*

<b>SCOTTISH CIVIL ENFORCEMENT COMMISSION</b>	Para 716	27,000*	868,000*	632,000*	
Scottish Court Service	Para 721		-15,000	-15,000	15,000 savings to SCS
Messengers of the court	Para 721		-17,000	-17,000	17,000 income from fees
<b>DILIGENCE</b>	Para 730	0	141,725*	566,900*	Based on quarter year 2007/08
Scottish Court Service			10,000		
Information Disclosure Orders	Para 734	0	0	967,500	Based on middle range of applications
<b>Implementation by the Scottish Executive</b>	Para 689 and 690	0	253,251* 110,000*	253,251* 110,000*	Staff costs Programme costs

\* Denotes resources secured



*This document relates to the Bankruptcy and Diligence etc. (Scotland) Bill as amended at Stage 2 (SP Bill 50A)*

**BANKRUPTCY AND DILIGENCE ETC. (SCOTLAND)  
BILL**  
[AS AMENDED AT STAGE 2]

**SUPPLEMENTARY FINANCIAL MEMORANDUM**

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**Finance Committee**

**30th Meeting 2006 – Tuesday 28 November 2006**

**Budget Process 2007-08 – Supplementary Evidence**

1. As part of its scrutiny of the Draft Budget 2007-08, the Finance Committee took oral evidence from the Scottish Women's Budget Group at its meeting on 3 October. The Committee also took evidence from the Minister for Finance and Public Service Reform at its meeting on 6 November and from the Scottish Parliamentary Corporate Body at its meeting on 14 November.
2. The following supplementary responses have been received in relation to these evidence sessions and these are attached:
  - Minister for Finance and Public Service Reform;
  - Minister for Health following evidence from Minister for Finance and Public Service Reform;
  - Scottish Parliamentary Corporate Body (SPCB);
  - Scottish Public Services Ombudsman regarding evidence from SPCB; and
  - Scottish Women's Budget Group.

Susan Duffy  
Clerk to the Finance Committee



## **Supplementary Submission from Minister for Finance and Public Service Reform**

At the Finance Committee session in Dumfries on Monday 6 November, I undertook to write to you with further information on a number of points, covering both the Draft Budget 2007-08 and the Autumn Budget Revision 2006-07. This letter addresses the points about the Draft Budget, and I have written to you separately on the issues raised on the Autumn Budget Revision. I will deal with the points in the order that they were raised.

### *Share of Transport Budget Spent in Dumfries & Galloway*

This issue has been raised with officials in the Transport Portfolio, but unfortunately they do not presently hold the information requested in that format. Officials are currently compiling this information in relation to transport expenditure in Dumfries & Galloway and the Borders. I will write separately on this matter in due course.

I have also raised your concerns with the Minister for Transport about the lack of specific Transport targets for the Dumfries and Galloway area and also that the area is felt to be similar in its rurality and remoteness to areas of the Highlands & Islands.

### *Proportion of 2007-08 Health Budget Spent on Pay*

Building a Better Scotland (published in September 2004) detailed the strategic spending plans for 2005-06, 2006-07 and 2007-08 flowing from decisions agreed at the Spending Review 2004. The decision was taken to increase the investment in the Health and Community Care portfolio to over 8% each year to tackle ill health and promote good health.

The £483million increase in real terms between 2006-07 & 2007-08 equates to a £748million increase in cash terms. Of the £748million, the additional costs associated with Pay Modernisation is expected to be £230million.

This is to cover pay inflation and pay scale progression on the new contracts for Consultants and GPs (GMS contract) which were introduced in April 2004 and the new contractual arrangements for Agenda for Change (covering most other NHS staff) which is in the process of being introduced.

I have also written separately to the Minister for Health and Community Care, asking him to respond directly to the Committee in response to the question on providing an assessment of what output the Scottish Executive is receiving from the money that has been invested in the Scottish NHS.

### *Drawdown of Resources from HM Treasury*

At the Committee I explained that it is difficult to specify exactly what all of the anticipated drawdown from HM Treasury will be used for. The picture is not static, but one that is continually moving and evolving.

At the beginning of this financial year I had a list of pressures and commitments that I intended to resource from the money at HM Treasury and

I indicated, at that time, that I would be drawing down £780million over the next two years to address this. However, as the year has progressed, underspends have emerged and the position with some of the pressures has changed.

The budget process is a rolling programme which does not stand still and it is worth stressing that the movement of resources between HM Treasury and the Executive is a one way flow. We cannot return resources to Treasury that we do not require in year and for that reason we will only draw down resources if and when they are required. To do otherwise would simply produce further underspending. Any drawdown will be linked to an assessment of overall budget needs, rather than specifically linked to particular items of expenditure.

The table that I previously provided the Committee with in my letter of 4 October 2006 gave a broad indication of our intentions at that time. The table included a section with £447million (over two years) that did not have specific items of expenditure listed against it. I can now provide some additional detail on the intended use of these resources.

Further resources will be allocated to: the Finance & Central Services Department for expected drawdown from their CUP at the Spring Revision (£13million); a number of Enterprise Projects including work on Rothesay Harbour (£8million); and the need to address the SR2004 budget imbalance in 2007-08 (£135million).

The remaining balance will be used to address a number of other pressures that are currently under negotiation, further details of which will be provided if and when these negotiations are finalised.

*Broadband Pathfinder Project (South of Scotland)*

The contract, signed with the Scottish Executive on 3 November, is worth up to £32million - the Scottish Executive will provide its allocation of £27million to local councils, who will fund the remaining costs. Funds will be distributed to Pathfinder South according to the payment profiles that are agreed to over the seven year contract period.

In addition, the Executive have been providing funds, totalling £850k, to help Pathfinder South take forward its actual procurement in 2006-07 and in previous financial years.

*Cultural Review (£20million)*

An additional £20million was allocated to the Tourism, Culture & Sport portfolio in 2007-08 to implement the outcome of the Cultural Review and will allow the Scottish Arts Council to implement its Strategic Review of funding for the art form sectors which will deliver a new approach to funding for artists and arts organisations. This allocation increased the 2007-08 Tourism, Culture & Sport budget from £290.891million to £310.881million (£20million increase, offset by a £10k decrease in Historic Scotland's budget).

At the Committee session, Dr Murray asked why the increase to the Tourism, Culture and Sport was only shown as £12million on page 14 of the Committee papers. The table that Dr Murray referred to shows the real terms increase in the Tourism, Culture and Sport budget between 2006-07 and 2007-08. On page 52 of the Draft Budget 2007-08, in tables 4.01 & 4.02 it is possible to see that the cash increase between the two years is £20.2million, and that in real terms the same increase equates to £12.1million.

I hope that you find this information useful and that it helps to clarify the points that were raised at the Committee session in Dumfries.

Tom McCabe



**Submission from Minister for Health following evidence from Minister for Finance and Public Service Reform**

I am writing to provide information about the impact of investment in Pay Modernisation as requested following the Finance Committee session on Monday 6 November.

The NHS in Scotland is being modernised - "*Delivering for Health*" sets out our modernisation programme. This programme has been supported with increased financial investment. NHS staffing costs form a large part of the increase in Health spending, with approximately two thirds of NHS funds paying for staff.

Staffing numbers in the NHS in Scotland have increased - between 2003 - 2005, there was a 4.5% increase in the whole time equivalent staffing numbers in NHS Scotland. This included an increase of 210 wte, or 6.4% more consultants and 1570 wte, or 4.1% more registered nurses and midwives. There are therefore more staff providing more care to NHS patients throughout Scotland.

Modern health care requires modern employment contracts and so we have completely overhauled the previous contractual arrangements for nearly all NHS staff. We have introduced a new Consultants Contract, GP (General Medical Services) contract and *Agenda for Change* which affects nearly all other NHS staff. Together these contracts represent our Pay Modernisation drive which recognises the vital need for a well motivated and fairly rewarded staff, and which has meant improved pay and conditions for the vast majority. We are clear that investing in NHS staff is investing in the NHS.

These new contracts, as well as ensuring compliance with Equal Pay and Working Time requirements, include mechanisms which support service modernisation and redesign. We have therefore established a Pay Modernisation Benefits Realisation process, the purpose of which is to maximise the return on the investment in the new contracts for the benefit of patient care and NHS services. This means that all NHS Boards in Scotland are required to plan for and to demonstrate how they are using the new contracts to support key priorities such as waiting times (which are at an all time low), improved long term illness management, improved delivery of unscheduled care, service redesign and improved productivity. Health Boards now publish their Pay Modernisation

Benefit Realisation Plans on an annual basis, and I have attached to this letter a brief paper for your interest which further describes our approach and some examples of real benefits which are being delivered across Scotland.

In relation to the specific point about the Quality and Outcomes Framework (QOF) which is part of GP (GMS) contract I can confirm that this evidence based quality incentive scheme has worked well in Scotland with an average practice achievement of over 97% in 2005/06. Our spend on QOF in 2005/06 was £131.7m. This has provided measurable improvements in the

management of key chronic medical conditions (such as coronary heart disease and asthma) by GP practices as well as the delivery of high quality practice organisation standards. This means that patients are now increasingly receiving high quality care away from hospitals, closer to their homes, in such a way as to improve their health and to prevent deterioration and/or development of complications. Allied to this the development of enhanced services in GP practices (for example diabetes clinics) has further freed up consultant patient slots and allowed patients to be treated nearer to their home and in turn consultants to concentrate on more complex patients. The new GMS contract was also designed to improve recruitment and retention in the GP workforce and in the year to September 2005 there was an increase of 2% in or GP head count - although it is too early to determine a long term trend, this is an encouraging start.

Finally, I would wish to stress that modernisation of our workforce is a core part of modernisation of the NHS and we are taking an integrated approach to delivering the necessary service modernisation. It is therefore important to recognise the contribution in investment of staff and pay modernisation to delivering our key service priorities such as reducing waiting times in in-patient/day cases and outpatient services, tackling cancer, coronary heart disease and stroke and delivering health improvements, for the benefit of patients.

Andy Kerr

## **Report - Health Board Pay Modernisation Benefits Realisation Planning**

### **1. Background**

The Scottish Executive Health Department is clear about the need to fully realise the benefits of the new contracts. In 2005 the SEHD set out (in HDL (2005)28) its requirements for Health Boards to develop plans to ensure that they maximised the benefits to patients of the major investment made in Pay Modernisation through the new Consultant and GMS contracts and Agenda for Change. Specifically the implementation of Pay Modernisation should support the delivery of the following key NHS priorities:

- National access/waiting targets;
- Improved delivery of unscheduled care;
- Chronic disease management;
- Integrated care;
- Integrated service and workforce planning;
- Staff Governance;
- Service redesign in line with local priorities.

Plans should highlight how the tools provided by Pay Modernisation have helped achieve service improvements and outcomes. The latest Pay Modernisation Benefits Realisation Plans were submitted by Boards in March 2006, and these Plans were considered as part of the Board Annual Review Process.

## **2. Progress to Date**

Pay Modernisation Benefits Realisation Planning is now firmly established in NHS Scotland. All Health Boards have a Pay Modernisation Board (or equivalent) in place to drive the Pay Modernisation process forward locally. These are chaired by either the Chief Executive or HR Director, work in partnership, and report to the Health Board.

The Plans submitted in March 2006 demonstrate the ongoing development of the Pay Modernisation process in Boards across Scotland. Boards have highlighted the importance of using the three contracts in an integrated way at times combined with other initiatives (e.g. CCI) to meet national and local targets and achieve service redesign. Pay Modernisation Plans are being placed increasingly within the strategic context of local Health Plans, underpinned by Delivering for Health and the shift in the balance of care, as well as the key performance targets within the local delivery plans e.g. waiting times, improved day case rates. In some areas links are also being made to other new contracts e.g. the Pharmacy contract, particularly in relation to how this can support Service Redesign in Primary Care. Alongside the benefits described in the integration of the three contracts, specific benefits have been identified within the individual contracts.

Within the Consultant contract the Job Planning process is increasingly being recognised as not only providing more transparency in consultant activity, but also as a tool to support Service Redesign through giving management the opportunity to focus activity where it is most required and align consultant objectives within the job plan to the achievement of service and corporate objectives.

Within the GMS contract, Boards have highlighted a number of ways in which the Quality and Outcomes Framework and both directed and local Enhanced Services have underpinned developments in primary care and supported the strategic shift from secondary care to primary care through the provision of more local services. In addition the new contract has supported the development of more comprehensive primary care patient information leading to improved patient care and supporting Service Redesign. The changes in GMS out of hours arrangements have also been a key driver for the further integration of primary and secondary care unscheduled care services.

Within Agenda for Change Boards are currently working towards full implementation. The Knowledge and Skills Framework (KSF) is seen as being the key vehicle for Benefits Realisation through supporting the development of enhanced clinical roles and Boards have given a number of examples of where these roles are being developed within both primary and secondary care sectors.

## **3. Good Practice Examples**

The Plans describe a wide range of examples of how Pay Modernisation is working at a local service level. Some illustrative examples of good practice under each of the NHS priorities highlighted in the HDL are given below:

## **I. National access/waiting targets**

### *Lothian*

Used the consultant job planning process in orthopaedics to build inflexible sessions to provide cover when others were on leave. This contributed to a 43% reduction in theatre session cancellations.

### *Dumfries and Galloway*

Expanded nurse endoscopy service and reduced endoscopy waiting times from 26 weeks to 12 weeks. Have agreed consultant objectives for 06/07 to increase laparoscopic surgery to 75%.

## **II. Improved delivery of unscheduled care**

### *Tayside*

Developed an integrated out of hours service in Angus across primary care and Acute with GPs covering work previously undertaken by a consultant on call.

### *Forth Valley*

Have extended that GMS out of hours service as part of the development of an integrated front door' access to minor injuries/minor illness service at Falkirk District Royal Infirmary. This is integrated with the nurse led minor injuries service. Have developed a new multi-professional team including enhanced nurse practitioners and minor injury trained paramedics.

## **III. Chronic disease management**

### *Grampian*

Developed over 50 GPs with special interests and over 40 other clinicians with special interests supported by consultant led training. This has led to a reduction in waiting times and patients treated closer to home e.g. in Aberdeenshire waiting times for cardiac reduced from 4 months to 2 weeks, dermatology from 1 year to 2 weeks and diabetes from 1year to 1 week. Across Grampian CHD waiting times are reduced with around 40% of referrals being seen in a primary/intermediate care setting.

### *Highland*

Used locally enhanced GMS service for diabetes to free up 800 consultant patient slots, thus allowing patients to be treated nearer to home and consultants to concentrate their time on the most complex patients.

## **IV. Integrated care**

### *Fife*

Has used the consultant contract job planning process to improve team working between specialties eg colorectal surgery and gastroenterology and the development of joint assessment services between old age psychiatrists and geriatricians to improve the patient pathway.

*Greater Glasgow & Clyde*

Have developed nursing home medical practice to provide GP care to nursing homes, providing a regular (minimum twice a week) presence in the nursing home as well as on call cover and health promote interventions. 76% of Greater Glasgow nursing home patients are now registered with the practice.

**V. Integrated service and workforce planning***Lanarkshire*

Consultant job planning process and development of GPwSI is supporting the redesign of vascular out-patients service with the development of community based multi-professional team clinics which now receive 50% of all out-patient vascular referrals.

*Shetland*

Have developed accident & emergency nursing staff in minor illness and injury, Acute assessment and history taking. Now making use of NES framework for out of hours practitioners to further develop both service and individual learning plans.

**VI. Staff Governance***Most Boards*

Describe how the Agenda for Change assimilation process supports the achievement of staff governance principles.

Describe how the development of enhanced roles and improved multi-professional team working through projects such as Hospital @ Night have improved EWTD compliance for junior doctors.

**VII. Service Redesign in line with local priorities***Borders*

Have used the consultant job planning process to help develop sustainable local services in a number of specialties and improve consultant recruitment and retention. For example they have reduced on call intensity in general surgery, ophthalmology and laboratory specialties and have developed a more regional approach with NHS Lothian in surgery, obstetrics and gynaecology, haematology and neurology

*Orkney*

Close working between local and visiting consultants has successfully redirected some patient treatment back to local consultants and led to the training of local nursing staff by the consultants to undertake additional procedures e.g. ophthalmology pre assessment and post operative screening and middle ear suction

*Ayrshire & Arran*

Associate Medical Directors and CHP Leads have agreed three high impact issues focussing on the Primary, Secondary Care interface which will inform the objectives agreed within individual consultant job plans.

**4. Developing Pay Modernisation Planning**

Health Board Pay Modernisation Benefits Realisation Plans are available on the SEHD Pay Modernisation Website. Pay Modernisation planning is now well established in Health Boards across Scotland. We continue to develop this vital work, and have asked Boards to enhance their efforts in realising the benefits of Pay Modernisation to NHS services by developing the following key areas:

- Shifting Agenda for Change focus onto making best use of KSF to support service redesign, new roles and the development of the multi-professional team working within the service;
- Aligning consultant objectives to service and corporate objectives and developing clear plans for achieving the 1% target increase in consultant related productivity.
- Developing the use of enhanced services and QOF in GMS to support the shift in the balance of care;
- Ensuring the appropriate linkages of contracts, including the pharmacy contract, to achieve agreed service redesign priorities;
- Describing economic benefits and financial savings that Pay Modernisation has helped to deliver;
- Quantifying increased patient benefits resulting from service redesign underpinned by Pay Modernisation.

## Supplementary Submission from Scottish Parliamentary Corporate Body

As part of the scrutiny of the SPCB budget for 2007/08 at the Finance Committee meeting on 14 November, we undertook to write to the Committee with clarification on the following points:

- the criteria adopted by the SPCB for the selection of events held within the Parliament's complex;
- whether there is a differential in costs charged to the voluntary and private sector for hosting events;
- how overhead costs incurred by the Parliament for these events are measured and a detailed breakdown of these costs;
- increases and decreases in staffing complements for various offices within the Parliament whilst the overall staffing complement remains unchanged; and
- the components of the Commissioner for Children and Young People's bid for an increased staffing budget.

In respect of the first three bullet points, The Scottish Parliamentary Corporate Body agreed specific criteria for the selection of events held within the parliamentary complex at its meeting on 30 June 2005. The current events policy states that for an event to be held in Parliament it must:

- meet parliamentary business needs ( e.g. health debate in the chamber)
- support members in their parliamentary role i.e. an event which relates directly to, or in connection with, the business of the parliament ( e.g. member sponsored receptions)
- provide a platform for Scottish influence on democracy at home and abroad ( e.g. Africa event in 2005).
- Improve professional knowledge and service development ( e.g. staff events such as the Inter Parliamentary Research Network Conference)

All events in Parliament, other than corporate staff events, must have an MSP sponsor. The corporate body on reaching a decision about whether an event fits with its current policy criteria also considers issues such the level of participation it encourages, any cross party support for an event and whether the event will attract a particular audience that Parliament is keen to engage ( for example under represented groups).

SPCB considered the issue of charging for events in November 2005. It was agreed by SPCB that, on the basis of the criteria outlined above, events are an important means of supporting members in their Parliamentary role and promoting engagement. SPCB therefore agreed that the indirect costs associated with events (such as use of the building and core staff time) should be borne by SPCB as a legitimate part of the cost of running a Parliament. Accordingly, we are unable to provide a detailed breakdown of these costs. However, SPCB agreed that some other direct costs (such as catering and specialist AV equipment) which represent "value added" to an event, requested by hosts should be charged to them.

As a result, there is no fee charged per se for having an event in Parliament and so there is no differential in costs charged to the voluntary and private sector. Access to Parliament to meet members and engage in events is on an equal footing regardless of the size and nature of the organisation or group. A small business has the same

access as a large campaigning organisation, and any additional hospitality or presentations are entirely at the host's discretion and are charged to them accordingly. Analysis of the range of sectors meeting members via events shows that this approach results in a rich and wide cross section of engagement.

The overhead costs incurred by Parliament include use of the building, heating and lighting, staff costs such as the events management team, ushers, visitor services and security personnel and any existing Parliament equipment. Direct costs passed on to hosts are largely made up of catering, any additional equipment ( e.g. audio visual systems), translation requirements, accessibility requirements ( e.g. British Sign language interpreters), and any overtime costs incurred because the event is being held outside normal staff band widths, for example a weekend event.

Naturally, Parliament absorbs costs for events which it holds in its own right, for example Business in the Chamber. There are a number of Parliament led events being planned for the 2007/8 financial year. In certain instances, sponsorship is sought to help offset costs for Parliament events, for example the Festival of Politics which aims to promote engagement.

Over the last 18 months, the events team has made significant improvements in how to plan and cost small, medium and large Parliamentary events. As a result, we have been able to initiate a corporate events budget in the current financial year and propose a 2007/08 corporate events budget. However, we are still developing our approach to events planning and budgeting. The Access and Information Directorate has recently completed an independent review of events. The SPCB has accepted the recommendations arising from the review; this includes a further project to monitor in detail the costs and activity involved in managing events. Following this project's outcome, SPCB will be invited to consider whether it wishes to consider any changes to the existing charging policy.

In respect of your fourth bullet point, regarding the SPCB's staff complement, I attach an annex setting out the number of full time equivalent posts each year, analysed by office.

Finally, we undertook to provide additional background to the increase of 18% in the staff costs of the Commissioner for Children and Young People in Scotland.

The Commissioner, in her budget submission has sought a budget bid of £689,381 to cover staff costs for 2007/08, as against an approved budget of £582,700 for 2006/07, an increase of £106,681.

May I begin by assuring the Committee that the staff establishment figure for the Commissioner has not increased since it was approved by the SPCB in October 2003.

In the Commissioner's initial budget submission, she explained that the reason for the increase in staffing costs for 2007/08 was due to incremental increases in staff salary costs, which accounted for £30,448 (5.2%). The increase is also partly due to inflationary salary increases and increases in the employer's pension contributions which amount to £28,552 (4.9%). There are agency staff costs of £2,681 (0.5%) for

a maximum of two months to undertake specific tasks. The Commissioner also advised us that her estimate of staffing costs for the 2006-07 budget had been projected using 2004/05 figures, which meant that the staffing costs for the 2007-08 budget were higher when compared to the approved budget for 2006/07. This amounted to £45,000 (7.7%).

As part of the scrutiny process, we wrote to the Commissioner inviting her to identify savings from other headings to offset these increases in salary costs. In response the Commissioner offered up savings of £90,088, and as a result of the SPCB seeking a further budgetary reduction, an additional £12,773 was also identified, making a total of £102,861 overall.

As I hope we made clear to the Committee as part of our evidence, the SPCB takes seriously its role in challenging budget submissions and would seek assurances from an officeholder that consideration had been given to identifying savings from other budget headings to meet in full or part, the cost of any such increases. In this case, the savings identified by the Commissioner will significantly meet the staffing costs as detailed above.

I hope this response has clarified the position for you.

Nora Radcliffe MSP

**SPCB staffing complement trend analysis**

<b>Office</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Allowances	10.0	10.0	10.0	11.0	11.0
Broadcasting	5.0	5.0	4.0	4.4	4.4
Business Information Technology	47.0	46.0	45.0	45.0	43.0
Chamber	47.0	47.0	45.0	43.0	41.0
Chief Executive	10.0	8.1	8.7	8.7	8.7
Committee	45.5	46.7	49.3	49.3	49.3
Corporate Policy Unit	5.8	5.8	5.8	5.8	5.8
Corporate Publications/Public Information	3.0	10.0	10.0	11.0	10.0
Director of Access & Information	3.0	7.7	7.2	4.5	4.0
Director of Clerking & Reporting	2.0	2.0	2.0	2.0	2.0
Director of Facilities Management & Technology	3.0	4.0	2.6	2.6	3.7
Director of Resources & Governance	2.6	2.8	3.8	3.8	3.8
External Liaison Unit	5.7	7.0	6.0	6.0	5.0
Facilities Management	32.5	39.7	38.9	39.2	39.1
Finance	13.0	13.0	16.0	15.0	13.0
Holyrood Project Team	13.8	4.8	3.0	5.0	0.0
Implementation Unit	3.0	0.0	0.0	0.0	0.0
Legal	15.1	15.6	16.4	16.8	16.7
Media	6.5	9.5	9.5	8.5	9.0
Official Report	35.6	37.0	37.0	37.0	37.0
Personnel	21.0	19.3	18.5	18.5	17.4
Presiding Officer	4.0	5.0	5.0	4.0	4.0
Procurement	20.0	15.0	14.0	16.0	16.0
Security	95.0	100.0	109.0	109.0	110.0
SPICe	45.0	47.0	48.0	48.2	49.6
Visitor and Outreach Services incl events	27.5	23.0	26.5	28.0	35.6
<b>Totals</b>	<b>521.6</b>	<b>531.0</b>	<b>541.2</b>	<b>542.3</b>	<b>539.1</b>

## Notes

- 1) All figures are for full time equivalent posts
- 2) Figures for financial years 2003-04 to 2005-06 are actual posts as at March each year. Figures for 2006-07 and 2007-08 are budgeted posts.

**Submission from Scottish Public Services Ombudsman regarding evidence from SPCB**

On behalf of the Ombudsman, I am writing to clarify a number of points raised during the evidence given to the Committee on Tuesday 14 November by John Scott MSP and Ian Leitch, SPCB Director of Resources and Governance. I hope that my comments will reassure the Committee about the SPSO's control of our budget and operations, as well as set the record straight and provide members with a fuller picture of the budget process than they received at the evidence session.

Most notably, I would like to give the Committee an understanding of why there was a marked difference between our original and revised submissions. John Swinney MSP asked how the SPSO could 'ditch 25% of running costs' and the answer given was incomplete. As any examination of correspondence between my office and the SPCB would demonstrate, the bulk of the reduction was achieved by our removing the monies for setting up a proposed second location (possibly in Glasgow). This had been discussed during the budget process with SPCB officials.

Additionally, we removed any provision to replace the three Deputy Ombudsmen when they leave office next September and we also removed any allowance for inflation on non-staff costs. As we explained at the time to the SPCB, the savings are not easy and not without risk. The Ombudsman informed the SPCB that she intended to monitor the situation and report to the SPCB on a regular basis.

In response to a comment by John Scott MSP that 'we have suggested to the Ombudsman that she might wish to reduce her advertising budget', I would like to advise the Committee that the SPSO does not spend money on advertising. We have never advertised for business and increasing our workload. Instead, we have an Outreach Strategy and budget which is focused on helping bodies under our jurisdiction to handle complaints well and thus reduce the number of complaints referred to the SPSO.

The Ombudsman will be responding to the Presiding Officer's invitation for her to comment on the budget process. That letter will outline her concerns over broader issues raised in the evidence session and the budget process in general. The Committee shall, of course, be copied in on that correspondence.

Should you or any other member of the Committee have any further questions, I would be pleased to answer them.

Yours faithfully

Richard Smith  
Director of Corporate Services



## **Supplementary Submission from Scottish Women's Budget Group**

Thank you again for the invitation to appear before the Committee to discuss the Scottish Women's Budget Group (SWBG) position on a range of issues relating to promoting equality through the national budget process. We felt it was very positive session, and welcome the Committee members' engagement with the issues.

On further reflection on the meeting, and having read the Official Report, we would wish to reaffirm the following points as future actions for the Committee:

- To pursue further Wendy Alexander's suggestion of selection of key indicators for progress monitoring from portfolio departments and managers;
- In progressing these indicators to ensure that the programmes selected for, or closer scrutiny are of overall strategic importance for Scottish Executive policy, and so have significant resource allocations attached.
- SWBG would welcome the opportunity to engage further with the Committee on programme selection as above, consistent with our concern that previous analysis of Scottish Executive programme and policy areas, while useful, has been focused on areas of limited spend.
- For the Finance Committee to continue to champion and pursue gender-responsive in future parliamentary sessions, and for the current Finance Committee to endorse this proposal by ensuring prominence for gender-budget analysis in its legacy paper.

You may recall that outwith the formal business of the Committee we discussed the possibility of future international events. We will be pursuing opportunities in the coming months, and will keep you informed of progress - and hope that the Committee will welcome an opportunity to support and be involved in these events.

Since we met, the Scottish Executive has published part of the findings from the pilot studies. As yet the guidance and other accompanying documentation have not been made public. The Committee may be interested to explore further the content of the pilot findings report. While we welcome the partial publication of this work, we are looking forward to the guidance documents coming on stream as these better support learning and practice development.

I hope these comments are useful. I or colleagues from SWBG would be pleased to discuss them further.

Thank you again for your time and consideration.

Yours sincerely

Angela O'Hagan  
Convenor, SWBG

**Finance Committee**

**30th Meeting 2006 – Tuesday 28 November 2006**

**Scrutiny of Financial Memorandum – Supplementary Evidence on the  
Custodial Sentences and Weapons (Scotland) Bill**

The Finance Committee took oral evidence on the Financial Memorandum of the Custodial Sentences and Weapons (Scotland) Bill from the Scottish Prison Service and from Executive officials at its meeting on 14 November. The Scottish Executive and the Scottish Prison Service agreed to respond to a number of issues raised during this evidence session. These responses are attached.

Susan Duffy  
Clerk to the Finance Committee

**Supplementary Submission from the Scottish Executive**

I refer to Mr McNulty's letter of 14 November enclosing a copy of the minute of the Committee's meeting during which consideration was given to the Custodial Sentence and Weapons (Scotland) Bill's Financial Memorandum. Scottish Prison Service colleagues will be providing separately the information on cost differentials between public and private sector prisons.

The Committee also asked for supplementary information on the year-on-year increases in funding for local authorities for community based disposals from 2005-06 and including the anticipated increase in 2007-08. Funding of local authority criminal justice social work services for delivery of reports to courts and management of offenders in the community is provided through section 27(1) of the Social Work (Scotland) Act 1968. The funding is ringfenced to ensure that resources are directed to the specific functions set out in section 27(1). Total provision of offender services has increased from £67m in 2002-03 to a projected figure of £103m in 2007-08. Within this overall sum the following funding has been allocated in recent years for delivery of throughcare ie statutory supervision of prisoners on release from custody and voluntary assistance to eligible short term prisoners following completion of their sentence:

2002-03	£2.5m
2003-04	£4.5m
2004-05	£5.3m
2005-06	£7.2m
2006-07	£9.3m

Funding of throughcare for 2007-08 has yet to be finalised.

I hope the Committee finds this helpful.

Yours sincerely

Jane Richardson  
Parole and Life Sentence Review Division

## Supplementary Submission from the Scottish Prison Service

I refer to Mr McNulty's letter of 14 November enclosing a copy of the minute of the Committee's meeting during which consideration was given to the Custodial Sentence and Weapons (Scotland) Bill's Financial Memorandum.

The Committee asked for supplementary information on the cost differential between a private sector prison and a public sector prison over a 25-year period. The most recent independent work on this question was carried by PricewaterhouseCoopers (PwC) and published in the document *Financial Review of the Scottish Prison Service's Estates Review* in 2002. This report concluded:

*'On the basis of the work (carried out on the SPS Estates Review), the PPP Private Build Private Operate option, by a significant margin, offers a lower economic cost than either the PPP Private Build Public Operate option or the Public Sector Comparator (PSC). While the PPP Private Build Public Operate option potentially offers savings by comparison with the PSC, significant practical issues regarding its deliverability would require to be addressed in detail before it would be regarded as a viable option. Even if these practical issues were to be addressed, there remains a considerable gap between the most optimistic PPP Private Build Public Operate option and the PPP Private Build Private Operate option.'*

The report also contained the following table showing the Net Present Value (NPV) figures in terms of Prisoner Place per Year for a 700 cell prison over 25 years for comparative purposes:

Option	NPV per Prisoner Place per Annum (£)
PSC option	24,521
PPP Private Build Public Operate option	19,299-24,521
PPP Private	11,785

The proposed new prison at Bishopbriggs, East Dunbartonshire, subject to planning permission, will be procured by open competition between the private sector and public sector (in the form of an in-house SPS bid). The outcome of this process will provide a real and up-to-date comparison of the cost differential between alternative service providers.

In respect of the costs included in the Financial Memorandum, as I stated at the Committee meeting on 14 November, the additional places could be provided in a number of ways (eg additional places on existing sites, new places on new sites etc) however at this stage no decisions have been taken on the best option. Further work will be required to inform this decision-making process. The Financial Memorandum therefore contains a range of costs to reflect the range of additional prisoners resulting from the Bill and to accommodate the range of delivery options. We are content that the overall

recurring costs and capital expenditure of providing 700-1,100 new places are covered in the financial figures.

The recurring costs associated with the *Continued detention and recall to custody* have been calculated as £40k per place (based on the SPS actual average cost per prisoner place for 2005-06 calculated on a resource accounting basis) – providing a cost range of £28-44m recurring cost for 700-1,100 additional prisoners.

The non-recurring costs (excluding £2m for land acquisition) range from £23-£160m reflecting the volume range of additional places to be provided (based on 700-1,100 prisoners) and the alternative ways of providing these places (additional houseblocks or new prisons). The bottom end of the range (£23m) relates to the provision of 700 new places via a new private sector prison which is off-balance sheet for SPS (like HMP Kilmarnock and HMP Addiewell) and is based on an estimate of the Reversionary interest value that would score as capital expenditure. The top of the range figure (£160m) relates to the provision of 1,100 new places via 2 new prisons which are provided either by the public sector (and would score as capital expenditure) or by the private sector but are not classified as off-balance sheet for SPS. The range would also accommodate a mixture of delivery options.

I hope the Committee finds this helpful.

Yours sincerely

Willie Pretswell  
Director, Finance and Business Services