



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Thursday 18 January 2024**

**Session 6**



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**PUBLIC AUDIT COMMITTEE**

**2<sup>nd</sup> Meeting 2024, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Sharon Dowey (South Scotland) (Con)

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Alison Cumming (Scottish Government)

Gregor Irwin (Scottish Government)

John-Paul Marks (Scottish Government)

Jackie McAllister (Scottish Government)

**CLERK TO THE COMMITTEE**

Lynn Russell

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament Public Audit Committee

Thursday 18 January 2024

[The Convener opened the meeting at 09:00]

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I welcome everyone to the second meeting in 2024 of the Public Audit Committee.

The first item on the committee's agenda is a decision on whether to take agenda items 3 and 4 in private. Do we agree to take those items in private?

**Members** *indicated agreement.*

**The Convener:** I note that the deputy convener, Sharon Dowey, joins us online this morning.

## Section 22 report: "The 2022/23 audit of the Scottish Government Consolidated Accounts"

09:00

**The Convener:** The principal agenda item is consideration of the Auditor General for Scotland's section 22 report on the Scottish Government's consolidated accounts. I am particularly pleased to welcome our witnesses, who are the most senior team from the Scottish Government. The permanent secretary, John-Paul Marks, joins us, and is very welcome. The director general economy, Gregor Irwin, is also here. Jackie McAllister, who is the chief financial officer, and Alison Cumming, who is the director for budget and public spending in the Scottish Government, also join us.

We have quite a wide range of questions to put to you this morning, permanent secretary, but, before we get to those, I invite you to make a short opening statement.

**John-Paul Marks (Scottish Government):** Good morning, everyone, and happy new year to you all. Another busy year is ahead.

I am grateful to the Auditor General for his unqualified audit opinion on the annual accounts. The year 2022-23 was one of disruption and external shocks, including high inflation, high interest rates and low growth. It was managed accordingly with increased financial control, prioritisation and savings exercises.

I put on record my appreciation for Audit Scotland—Stephen Boyle and his teams—and my chief financial officer and her teams. Leading in this context has been challenging. There have been tough moments, and the support and collaboration have been greatly appreciated.

Overall, the accounts, thankfully, show an underspend as required. The final outturn against the Treasury budgets will be published soon. The provisional outturn reports an underspend of 0.5 per cent of the total budget, which is £244 million. That has been carried forward openly via the reserve into this financial year and utilised in full. I am grateful to Audit Scotland for its support in recognising improving transparency on the reserve. We will keep working on that.

The budget was balanced via a £1 billion emergency budget review, which was transparently set out to the Parliament. The EBR protected support in a cost of living crisis. It included expansion of the Scottish child payment—uprated and now supporting more than 320,000 under-16s—which has contributed to child poverty being 9 percentage points lower in

Scotland than otherwise would be the case. The EBR also enabled pay settlements to be agreed, which minimised the impact of industrial action on Scotland's public services. I am happy to confirm to the committee that we have the path to balance this year, too, and budget 2024-25 is now, of course, being scrutinised by the Parliament.

I turn briefly to the section 22 report. I welcome the recommendations in full, and I am happy to confirm that a governance review is under way in the Scottish Government. We established the strategic commercial assets division. I welcome the recognition from Audit Scotland that that has strengthened the management of financial interventions. Gregor Irwin joined us as the DG economy last year and is here today. We will keep building that capability, as the committee would expect.

We have strengthened other core corporate capabilities: our performance on freedom of information; propriety and ethics; and stricter electronic procurement card controls. We are developing a long-term public service reform programme across estate, digital, income, workforce and shared services, to deal with underlying financial pressures. As Audit Scotland recommends, we will press on with our corporate transformation programme to ensure that our core systems are fit for purpose in order to respond to Audit Scotland's reported concerns and to realise future efficiencies.

Last year, we promised to develop a performance report. That is included in the accounts. It is about establishing mission-led government across equality, to reduce poverty; opportunity, to grow our economy and achieve net zero by 2045; and community, to transform our public services and recover from our pandemic backlogs. We published portfolio mandate letters to set out transparently what each portfolio is to achieve, and the statutory review of national outcomes and the national performance framework will conclude this year.

Convener, I have written to you on public sector accounts. We have had some initial discussions on the next phase of that work, and I am hopeful that we can make good progress on those in the months ahead.

I thank colleagues and partners for their resilience and collaboration as our work continues in the year ahead to achieve our goals and, of course, improve our national outcomes wherever we can. We look forward to the committee meeting.

**The Convener:** Thank you very much, indeed, permanent secretary, for that introduction, which covers many of the areas that we want to speak to you about. I want to take you back to one of the

fundamental, key messages from the Auditor General's report on the Scottish Government's consolidated accounts. He said:

"The delivery of public services in their current form is not affordable".

How do you react to that?

**John-Paul Marks:** As I set out in my statement, public services across all four nations have gone through a set of shocks over the past few years. Inflation has impacted the underlying cost base of capital programmes and resource budgets. That has affected every part of the public sector, and it is also true for the voluntary sector and for business. It is very important that, as those accounts show, we balance the budget; there is a lawful requirement to do so. That is true in the 2022-23 accounts. As I said, we are on track to do so again this year. To achieve that, savings exercises, prioritisation and reform are all key elements.

The Deputy First Minister set out in her budget the choices that the Government has made to ensure that next year's budget is balanced. We need to continue to transform our public services in order to deliver better outcomes. That is where the long-term public service reform programme—how we can use digital enablers and shared services and improve efficiency and productivity—will be really essential. We want to balance the budget and improve outcomes.

We have good examples of where that is working well, but we cannot deny that the level of pressure that public services face—because of what is available following the autumn statement envelope, and given our tax revenues and levels of growth—creates a significant challenge. The public service reform programme is set up long term to ensure that we do the right things to be fiscally sustainable.

**The Convener:** Obviously, you are the principal accountable officer in the Government. Is it your view that the Government's policy objectives are affordable and sustainable?

**John-Paul Marks:** It is, but that comes with a significant challenge. If you look at the choices that the Government faces, you see that those are significantly complex because of the constraints on public expenditure growth. That puts a premium on the need for reform. Long-term fiscal sustainability will be a function of the choices made in the United Kingdom Government around the block grant and what our tax revenues are and what our expenditure is.

This time last year, when we were looking at the 2023-24 budget, there was certainly concern about being able to balance the budget. That is why we had the emergency budget and the

recurring savings exercises, which were necessary to make the choices to do so. We will have to continue with the discipline of prioritising, focusing on value for money and doing the very best that we can to support chief executives to transform and raise revenue where they have the empowerment to do so.

There is no doubt that there is an underlying sustainability risk. That is one of the key risks that is raised at our corporate board, and we talk about it regularly with our audit function. It is why we are trying to address the underlying reform enablers to support leaders to deliver within their budget allocation.

**The Convener:** You mentioned the block grant. There has just been a renegotiation of the fiscal framework. Are you satisfied with the outcome of the renegotiation?

**John-Paul Marks:** I am. The fiscal framework changes are positive and a real credit to the team. Given the context that we were in, I was slightly surprised that it got over the line, but I was pleased with it. From Scotland's perspective, the block grant mechanism's being indexed per capita and baselining that assumption is important for us. On resource borrowing, we were previously able to borrow up to £300 million to cover forecast error, but that is now up to £600 million and indexed to inflation. Similarly, our capital borrowing is now indexed to inflation. That creates headroom in the longer term, which gives us opportunities with bond issuance or further borrowing. We have also removed the limits on reserve drawdown, and the overall reserve limits have been indexed to inflation.

Taking all that together, it is an improvement to the fiscal framework from Scotland's perspective. Previously, without the uprating, our real-terms flexibilities were degrading; now, they are not. That is not to say that there will not be more conversations around the fiscal framework in the future. However, coming towards the end of a UK Parliament, with the chief secretary and the Deputy First Minister, we were pleased with it, and we think that it is a good settlement for devolution. Perhaps Alison Cumming wants to add something, but those are the headlines on the changes.

**Alison Cumming (Scottish Government):** I agree: those are the headlines. The most significant financial element for us was securing the permanence of the index per capita methodology for block grant adjustments. The independent report that supported the fiscal framework review estimated that that could be worth £400 million to £500 million a year to the Scottish budget, at times, depending on assumptions of how population growth varies between Scotland and the rest of the UK.

Therefore, we were satisfied that, within the parameters of the review, it was a good outcome.

**The Convener:** Not to paraphrase the Deputy First Minister too heavily but, when she presented it to the Parliament, she accepted that there was no fundamental change and that it was a rather modest improvement. Is it reviewed every five years? Is that how it works?

**Alison Cumming:** The review was agreed when the original fiscal framework agreement was reached in 2016. I am not aware of there being a set five-year commitment for the next review, but I think that it is about keeping it under periodic review and keeping the discussions open with the Treasury.

**The Convener:** I will move on to a couple of other areas. Permanent secretary, you referred to the fact that you accept the need for public sector reform. Presumably, you would also accept one of the other recommendations, which is about better workforce planning. Why were there no details on either of those in the budget that was presented recently to Parliament?

**John-Paul Marks:** It is quite difficult to summarise at a macro level precisely what needs to happen for every single workforce, and it needs to be done in different sectors. I will take the core Scottish Government civil service as an example. When I arrived in 2022, the plans that I was presented with were for growth of up to around 2,000 in the core civil service head count. We have actually kept that flat; we have taken around 500 contractors out of our core workforce. We expect to be marginally smaller this year, and, given our budget allocation in relation to the total operating costs, we would look to continue with that trend.

Our workforce is rightsizing to what we can afford, but the process is also about making sure that we have the right skills and capabilities for delivering our programme. That thinking—about rightsizing, looking at spans of control and the layers of organisations, making sure that we are getting the right professional skills in the right places to deliver optimal value for money—is what we need from every public body and from all our sectors, whether that be health and social care, local government or the police. The new chief constable has a reform programme for the police. We have put in investment to enable that, and it is quite right that she is empowered to lead that, with support and scrutiny from Parliament and the committee.

09:15

Those are the enablers of public service reform, which I have referenced: the digital workforce; enabling revenue raising and income generation

and cost recovery, where it is appropriate to do so; and the commercial value for money programme. There are others. Ultimately, we ask every portfolio and sponsor team, working with their sectors and their public bodies, to make sure that they live within their budgets but also optimise their transformation in order to deliver better outcomes.

Gregor Irwin could speak about an example in the economy portfolio. On Monday, Scottish Enterprise set out its strategy, its missions and how it is delivering to optimise its outcomes, given its budget allocation. It is right that the chief executive and the board of Scottish Enterprise do that rather than it being controlled centrally. Of course, Scottish Enterprise has a budget allocation, and it needs to rightsize and deliver within that allocation.

**The Convener:** May I pick you up on your language? You describe it as “rightsizing”, but, in the case of Scottish Enterprise, is it not downsizing?

**John-Paul Marks:** Well, Scottish Enterprise has seen a reduction in its budget—

**The Convener:** And its head count.

**John-Paul Marks:** Similarly, there are different elements to its budget: some of it will be resource; some of it will be programme spend. Where an organisation has scaled up to respond to a challenge, whether that has been the pandemic, Brexit or the cost of living crisis, we have asked those leaders to look at every line of their budget, to live within their allocation and to make sure that it is optimised, because that is their responsibility to the taxpayer. I think that it is quite right that we do that. Every time that we do not do that, we leave that pressure for the taxpayer to pick up.

Gregor can say a bit more about public service reform in relation to Scottish Enterprise and the economy sector.

**Gregor Irwin (Scottish Government):** As the permanent secretary has already noted, Scottish Enterprise set out its new strategy on Monday, and it is focused on three core missions: energy transition, innovation and investment. Those three priorities are closely aligned with the national strategy for economic transformation.

The head count in Scottish Enterprise has decreased, and it will decrease further. It is absolutely right that Scottish Enterprise, like other parts of the public sector, embraces digital forms of delivery and we can see that the organisation is keen to move further in that direction.

The focus on those core missions is essential for Scottish Enterprise in relation to its contribution to public sector reform, but it is equally important for other parts of the public sector to ensure,

similarly, that they have that focus and that they embrace those capability-enabling steps in order to be more efficient and to ensure value for money.

**The Convener:** When you say, “similarly”, do you mean that we can expect other public sector organisations to downsize as well?

**John-Paul Marks:** Yes.

**The Convener:** Yes. Right.

**John-Paul Marks:** I do not think that we can pretend otherwise. In the public sector in Scotland, for good reason, we take a lot of pride in the fact that we have smaller class sizes, more police per capita and more fire officers per capita. In education, for example, that enables us to provide more support for the children who need it in a smaller school environment. Our pupil to teacher ratio is just over 13, I think, in Scotland, while it is over 18 in England and Wales.

However, when we look across our whole public sector and at Audit Scotland’s challenge on long-term fiscal sustainability, we have to be confident that the resource budget is affordable. That will be a function of the block grant—the fiscal framework helps us with that, marginally—and our tax revenues.

The Deputy First Minister has set out in this budget some of the choices that are necessary in order to do that, and public service reform absolutely asks the leaders of every public body to be confident that they are optimising their outcomes, given what they can afford. Inflation has been higher than anyone expected, for longer, which has eaten into our public sector’s underlying spending power.

To balance that, given the limitations of what we can achieve through tax revenue and growth, we need to rightsize the public sector to be affordable. That will happen across the systems, but it is absolutely clear that there should be a level of empowerment according to the needs of those particular organisations. The Scottish National Investment Bank is very different to Scottish Enterprise, so we do not sit at the centre and tell them precisely what their head count should be; we use a level of empowerment and sponsorship to support them in their public sector transformation.

**The Convener:** Forgive me, but my reading of what you are saying is that reform equals contraction and rightsizing equals downsizing.

Before I bring in Graham Simpson, I have just one question that I hope is straightforward and which will elicit a quick answer. Currently, there are no public sector pay guidelines. They were not part and parcel of the fabric of the budget

presented to Parliament. Can we expect to see public sector pay guidelines being issued?

**John-Paul Marks:** Yes, you can. We are in January, and those guidelines would be for the period from April 2024 to April 2025. Last year, if I recall correctly, we published them in the spring. We have not seen pay guidance yet from the other Governments of the four nations, but we will of course need to set those parameters for 2024-25. What we want to achieve—as we have managed to date—is positive dialogue with our trade union colleagues so that we can sustain our public services.

I take the point about being brief, but some of our public services are seeing growth and that is necessary to deal with demand. Social Security Scotland, for example, is taking on more benefits: it is migrating more benefits from the Department for Work and Pensions. That volume will rise, so it has been recruiting, and it is quite right to do so. It has also improved its productivity to support more clients per day. That is part of an overarching intent to improve outcomes and improve value for money.

In short, yes, pay guidance will follow later this year.

**The Convener:** Okay. Thank you very much.

**Graham Simpson (Central Scotland) (Con):** To follow up on the convener's questions, you have been quite clear that you think the number of people employed in the public sector needs to come down. Are you able to put a figure on that?

**John-Paul Marks:** No, I do not think so. That was the point that the convener was trying to make when he asked whether the budget could have covered that area. We do not have a precise planning assumption about that because it will be different for different public bodies. As I said, Scottish Enterprise may become smaller. However, the Scottish National Investment Bank may not: it depends on where they are in their trajectory. However, that is something that is empowered within the sponsor team, with that chief executive and the board, given its budget allocation.

Certainly, we expect the core civil service to be marginally smaller. We have reduced our contractors and, given our budget allocation, we would expect that trend to continue.

There are other areas—for example, our courts recovery programme—where we have done an excellent job to bring down the backlog from the pandemic. It is down by over a third compared with where it was at its peak. We need to sustain that because we want to get that backlog down, reduce the demand in the system and support a reduction in the remand population in our prison

service. That will improve outcomes and value for money.

It is not as simple as saying, "Every public body will be smaller, and every system will be smaller". It will be different for different systems, and the budget allocations reflect the choices that ministers have made.

**Graham Simpson:** You just mentioned the courts and you mentioned the police earlier. I presume that we would not be suggesting cuts in those areas, but, from what you just said, there will be cuts in other areas. When will you be able to set out what is going to happen and where?

**John-Paul Marks:** Those are two good examples. Alison Cumming will be able to say a bit more on the detail of the police settlement. Given our intent to keep crime low, we are working with the chief constable to protect that investment in our police service so that Police Scotland can continue to do the preventative community work that it is so well recognised for. We think that that investment in our police service will enable us to maintain our police numbers and that exceptional service and to transform some of the technology enablers for that service.

Similarly, I talked about the courts and the Crown Office. Again, we want to complete that recovery as quickly as possible, so that, by the end of this session of Parliament, we can say that the pandemic backlogs are behind us.

On when every public body will be able to explain its precise long-term workforce plan, we want to work on that through the public service reform programme. As you know, part of the challenge of the fiscal framework and how our allocation comes through the block grant is that it is annual. A lot of people would prefer to have much more multiyear certainty on resource and capital for longer-term planning purposes. That would include long-term strategic workforce plans. It is a bit harder to do that with annual budget allocations.

Nonetheless, we are asking each portfolio to work with each of its public bodies on their long-term workforce strategies and plans, so that can be included in updates. We have committed to six-monthly updates to the Finance and Public Administration Committee. Similarly, if this committee would like regular updates on how that programme is going and how different systems are transforming, we would be very happy to do that, because I think that this is the long-term challenge for Scotland, and it answers the convener's fair challenge at the beginning. To be sustainable, we need to be affordable, but we do not want that to be about cuts; we want it to be about reform, so that we improve outcomes, experiences and the

efficiency and productivity of the public sector as we go on that journey.

It is not an easy thing to take on, but there are some wonderful examples, such as Disclosure Scotland, National Records of Scotland and Social Security Scotland. We can see some very good evidence of productivity improvement, and we need to continue with that across the whole system.

**Graham Simpson:** It would be useful if this committee were to have those updates.

You mentioned the Crown Office. The Auditor General mentioned the Rangers case in his report. I will not ask you about that, but I will ask you about something more topical, and that is the Post Office. Are you allocating money for potential compensation for people who were wrongly convicted in Scotland?

**John-Paul Marks:** The Lord Advocate made her statement to Parliament, and, yesterday, the First Minister set out the latest position, given the response from the Prime Minister. Our team is now working closely with the United Kingdom Government on the opportunity of that legislative consent motion, which would enable people to access that compensation scheme. That work is happening rapidly. The First Minister's determination is very clear that, if any provision is needed, compensation must be accessible and the process needs to be as swift as possible, which is why he wrote to the Prime Minister immediately, and the Prime Minister responded.

There is no provision in the 2024-25 budget specifically for the Crown Office for that, because the intent is to get the consent motion through so that we can access the compensation scheme, but the Crown Office can prioritise its budget to ensure that any activity to support that effort is taken forward.

**Graham Simpson:** That money would have to come from Scotland, would it not, because the prosecutions in Scotland were through the Crown Office?

**John-Paul Marks:** We will need to confirm the accounting of how that would work, given the way in which the compensation scheme has been set up and the nature of how that would be accessed. However, I can reassure the committee that all the messaging that Parliament has heard from the First Minister and the direction to us, as we work on behalf of the Scottish Government, is that we must make sure that access to compensation is, rightly, as swift as possible.

09:30

**Graham Simpson:** The "Electronic Procurement Card Review Management Report"

was published in December 2023. I think that a freedom of information request—possibly from the Labour Party—revealed a whole series of very unusual purchases that were made via Scottish Government e-cards; I do not know whether they were physical cards.

People spent taxpayers' money on a whole variety of things, including a number of books. There were six copies of "Women Hold Up Half the Sky: Selected Speeches of Nicola Sturgeon"—I imagine that that is fairly slim. There were 19 copies of "How To Run A Government: So That Citizens Benefit and Taxpayers Don't Go Crazy"—it is probably a bit late for that. There was one copy of "Taxation: A Very Short Introduction", which tells us that people adapt their activities in various ways to reduce the impact of taxation. There was also one copy of "Marx: A Very Short Introduction"; another book called "The Blunders of Our Governments"; various self-help books, including one on irritable bowel syndrome; and a copy of "Scotland's Future", which is a Scottish Government book. I do not know why you bought your own book.

You say in that report that all those various books and other things, such as midge repellent and a traffic fine, are appropriate. How can those things be appropriate?

**John-Paul Marks:** We need to go back to the beginning. There was a freedom of information request whereby 58,000 transactions were released, which showed all the spending via electronic purchasing cards over a three-year period. The First Minister rightly commissioned two reviews into what happened. The first was a cyber investigation into data handling, and the second was a review that I undertook on the policies and procedures around the use of those cards. As I said in my opening statement, we have put in place stricter controls.

As you said, a number of transactions were raised and investigated, and I set out to explain those in that report, which we published. There was one transaction that was fraudulent in the system and was not authorised by the cardholder. That card was deactivated, and the expenditure was refunded. For all the others, we have set out the basis on which they were used. Books were purchased for training and personal development, and for use by the library. Part of the stricter controls is about being clear that people should borrow books and do not need to purchase multiple copies.

We have reduced the single monthly transaction limits. We already publish quarterly information on everything that is over £500. We introduced mandatory and refresher training for everyone with EPC responsibilities, and we set out further messaging on the importance of value for money,

including on having away days in, for example, public sector estates, wherever possible.

Our director for commercial, Nick Ford, wrote to the committee convener on 8 January on the management report and the next steps. Again, as with the previous conversation, if the committee would appreciate it, we are happy to provide a further update later this year on the steps that are being taken to control that and to tighten up the controls further as we go through this year.

**Graham Simpson:** My concern is that, if the view is that all the various purchases, some of which I have read out, are deemed to be appropriate, this kind of nonsense will continue. Surely, it cannot be appropriate that you are buying books with titles such as “How To Run A Government”. That is not an appropriate use of taxpayers’ money.

**John-Paul Marks:** Forgive me if I get this wrong but, if I recall correctly, that book was written by the former head of the number 10 implementation unit. One of the key things that we have been working on since I became permanent secretary, and which all of Government is always working on, is how to improve outcomes and how to improve our use of data to transform to mission-led government, to learn from the mistakes of the past and to translate that into the way that we work.

If there is a particular transaction in the report about which you have concern, you are genuinely welcome to write to me and I will write back with a further explanation. I went through them with my audit team and my commercial team. The guidance allows teams to purchase books that will support learning and development. That said, we have made clear—through the refresher training, the controls and the publication and transparency of the data—that we do not want the purchase of multiple copies of books that are held by the library and can be borrowed.

As I said, you are finding a few transactions that were raised in the context of 58,000 transactions over three years. If you look at similar transactions in similar Governments, you will find that the purchasing of books for development is not novel.

**Graham Simpson:** These are not books for development. Some of them are books that I might put on my Christmas list, and I would buy them—although not the book of Nicola Sturgeon’s speeches, of course. They are not about learning and development. A book about Marx is not helping anyone’s learning and development, unless it is the Green Party.

I will take you up on that offer and write to you.

**John-Paul Marks:** You are welcome to write—please do. We went through a very comprehensive exercise. The whole exercise is

not comfortable. I cannot make it more clear to the committee that we take being custodians of taxpayers’ money very seriously. We want to ensure value for money, efficiency and the very best outcomes that we can. I will not comment on whether a book by Marx is relevant to anyone’s development. I am sure that there are political theorists out there who have a view. The way that the convener is looking at me suggests that he might have a view on that.

We went through the transactions one by one to check whether they were fraudulent or contrary to the guidance at the time. Forgive me, but some of them predate my being in post. We have tightened the guidance, changed the limits, reduced the number of cards and refreshed the training annually. We have a detailed improvement plan to ensure that, when we use these cards, it is for stationery, information technology and so on. People were suddenly moved into the working-from-home environment where these cards were utilised to ensure that they could access what they needed to continue to work through the pandemic. We want to tighten up the approach, which is why we did the internal audit report. That report has been made available to Audit Scotland as well.

As I said, if you have concerns about any particular individual transactions, I am happy for Nick Ford and I to look at them again and provide you with more detail.

**Graham Simpson:** I will write to you, permanent secretary. Thank you.

**The Convener:** I have a question just for the record, because something is not entirely clear to me from my reading of the accompanying note that goes with the table of purchases. The note refers to the fact that the monthly limit on the UK Government e-card is £10,000, whereas the Scottish Government limit has been £25,000 per month. It talks about alignment. Can you confirm whether the Scottish Government monthly limit for e-card use will come into line with the UK Government level of £10,000?

**John-Paul Marks:** Yes. That is my understanding. Immediate changes that we implemented to align included reducing the single and monthly transaction limits to £5,000 and £10,000, which, I think, are the same as the UK Government’s limits. I will double-check that, but that is my understanding. We went through a number of steps to put in place stricter controls, including that one.

**The Convener:** Against those listed items that were purchased with the e-card, the report uses the expression “out of scope” quite a lot. Can you just elaborate on what that means? Does it mean that the things that Mr Simpson spoke about are still in scope, or are they out of scope? Are they

out of scope full stop, out of scope for the e-card, or in scope?

**John-Paul Marks:** I will have to look at the sentence to which you are referring. Forgive me. I am not quite clear on that exactly.

**The Convener:** Well, pretty much every item is categorised. For example, there is one here called “Taxation: A Very Short Introduction” and another called “Marx: A Very Short Introduction”. Both are listed as

“Appropriate under current policy - recommended to review policy exclusions and out of scope expenditure moving forward.”

What does that mean?

**John-Paul Marks:** Taking the point on books, my preference is that, if somebody needs to access a book for development, training or research, the library purchases the book and it is then available for people to borrow, rather than using EPCs for that purpose. It is about amending the guidance on the scope of what EPCs can be used for. As I said, Nick Ford wrote to the committee on 8 January confirming the management report and next steps. If the committee would like, we could ask him to provide a further update, including on what is in scope and what is not in scope any more or will not be going forward. He can cover any particular transactions where there is still concern.

**The Convener:** Thank you. That would be helpful.

I will take us back to the substantive report that we are discussing, which is the Auditor General’s section 22 report. I want to get your position on the record, permanent secretary. Paragraphs 95 and 96 are the conclusion of the report. Paragraph 96 carries a series of five clear recommendations from the Auditor General about a change of approach and development of approach, and so on, with regard to accessibility and transparency; governance and assurance arrangements; the public sector estate; a road map of what the design and delivery of public services, which we have already spoken about this morning, looks like and how you will advance that; and a timetable for completion, as a matter of urgency, of the whole-of-Government accounts, which we will get to shortly.

Do you accept the conclusions and recommendations in that paragraph of the report?

**John-Paul Marks:** Yes, we do. The Auditor General, Stephen Boyle, is sitting behind me. We have a lot of regular conversations, and our teams have a very good relationship. I genuinely commend the work that Audit Scotland has been doing. It is improving value for money and efficiency in the public sector, and we want to do

the same. We want to improve transparency and scrutiny so that Parliament and the public—our taxpayers—can be confident that they are getting optimal value for money and outcomes. All those recommendations speak to that.

09:45

As I said, the governance review is under way. We want to ensure that it is proportionate, streamlined and efficient. When I arrived in this role, we put in a lot of changes around, for example, the delivery executive. It meets every Thursday and is focused on performance and outcomes and tries to get that golden thread. I accept that Audit Scotland is right that we have more to do in the performance report to take that through to the national outcomes, so that it is clear how investment today has short, medium and long-term impacts to improve outcomes in Scotland.

The corporate transformation programme is, rightly, responding to concerns that Audit Scotland previously had about systems and processes not being fit for purpose and about insufficient investment; that is being corrected. We have talked about public service reform. We will come on to whole-of-Government accounts. The report came to a meeting of our audit committee that Audit Scotland attends with our lead non-executives to go through the recommendations, and we can respond to each of them at this committee in writing and/or when we appear next year, as you prefer.

**The Convener:** That is fine—you accept the conclusions. We will ask questions to get into a bit more of the detail of some aspects of those in the time that remains.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning. On the previous conversation about books, I hope that we are not going down the road to where politicians can determine what people can and cannot or should and should not read. People who make purchases must be able to justify them within whatever framework they have in place. If we ever reach a position where people say, “You must not and cannot read this book,” that is not a direction of travel that I would like to follow.

On the issue about the Post Office that Mr Simpson raised, is it your understanding, permanent secretary, that the Post Office and Fujitsu will also provide a compensation fund for the cases that emerged as a result of the Post Office scandal?

**John-Paul Marks:** On that last point, forgive me, but the situation is, obviously, moving very quickly and, if the committee would like more detail on precisely how all that will work, we can

provide it in writing. I say that only because the First Minister wrote to the UK Government last week, and it replied only this week. A statutory inquiry is under way. That inquiry will, of course, conclude on some of the points that you have made on the Post Office and Fujitsu, and, as we said, there is the compensation scheme. We want to ensure that the consent motion is in place and that anybody who is affected in Scotland can access the scheme. However, the precise details of how all that will work are being worked on rapidly, and I do not have certainty on that.

On your first point, if I suggested any censorship with regard to what people can read, that was not my intent at all, and I am with you 100 per cent. We want to create an environment in which colleagues are not paralysed into thinking that they cannot do the right things for their development. We want them to be empowered and to be supported in that, but we also need to ensure that we respond to the concerns that Mr Simpson set out about transparency, accountability and value for money. I think that we will now get the controls right, so that will be the case and the system will be improved. However, the committee should, of course, hold us to account on that, and we will make sure that that is visible. In our responses, we will also make it clear that the library should be encouraged to ensure that diversity of opinion and learning is available to people so that our civil service is the best that it can be and is not censored by ministers.

**Willie Coffey:** I have a couple of questions about the consolidated accounts. First, on underspends and borrowing, you talked in your opening remarks, permanent secretary, about the current outturn position on underspend. When we got the Auditor General's report, that was about £500 million, but I think that you mentioned that it was £244 million. Will you give us a brief explanation of how and why that has changed?

**John-Paul Marks:** If it is okay, I will ask Jackie McAllister to do that, because she is far better at that than I am.

**Jackie McAllister (Scottish Government):** The accounts that we produce under the Public Finance and Accountability (Scotland) Act 2000 require us to do so against the budgets that are voted on and agreed by the Scottish Parliament. The provisional and final outturns, which we report to Parliament, are based on the block grant that we get from the Treasury and the UK Government budgets. There is a difference between the two. If we look at the annual accounts and the £500 million underspend, we see that they were based on the budget that was set at the spring budget revision. After the spring budget revision, there were a number of funding adjustments. The final consequentials from the UK Government were

known. We did not have those at the time of the spring budget revision, and our final borrowing decisions were taken. That is the case every year. That changed the funding by £187 million. It reduced the £500 million underspend.

There is a set of adjustments in the accounts. The accounts are not just about our spending power. We have budgets for provisions and revaluation adjustments. There is about £80 million in the accounts that equates to non-cash-type variances that we cannot spend on anything else. The spending power is the underspend against the Treasury budgets that we carry forward through the Scotland reserve, and the Scotland reserve is driven by the fiscal framework.

At provisional outturn, that underspend was £244 million, which is 0.5 per cent of the budget that we have available. We have not yet published the final outturn, because the finances for some bodies were being finalised. However, we expect that to be imminent, and we do not expect there to be a significant or substantial change from the provisional outturn figure. That £244 million is carried forward through the Scotland reserve. It has been fully deployed in 2023-24, and there has been absolutely no loss of spending power.

**Willie Coffey:** Okay. If that £244 million is the final outturn position, does it carry forward into next year's budget, or do you lose it? That is what the public usually want to know.

**Jackie McAllister:** It has already been included in 2023-24. On the Scotland reserve, as the permanent secretary set out, within the fiscal framework, we have an overall cap of £700 million. If we were to be in a position of looking to carry forward more than that, there is the potential that we may lose it. We have not been in that position. Part of our year-end management and year-end strategy is about making sure that we do not lose that and that we maximise the budget in-year, accepting that we can never overspend our budget. We always have to manage to some level of underspend. As I said, that is 0.5 per cent of the budget, and we think that that is modest.

**Willie Coffey:** It is within the tolerance of what would be expected.

**Jackie McAllister:** Absolutely.

**Willie Coffey:** Thank you very much for that.

Permanent secretary, you wrote to the committee in order to talk to it about the whole-Government accounts and the big picture. The committee has always been interested in getting as broad and as wide a view as it can of every penny that the Government and its agencies spend. In your opening remarks, you told us a little bit about the progress that you have been making. You described phase 1 and phase 2. In phase 1,

you have managed, as I understand it, to include spending from other bodies, including non-ministerial bodies and bodies that are funded from the budget. It is really welcome that we can see that.

I want to focus your attention on phase 2. You said in your letter that, because of our reliance on the UK Government's whole-Government accounts picture, you have not made the progress that you wanted to make. You also said that you are in discussion with Audit Scotland about how to improve that situation in phase 2. I know that this is a very dry subject, but will you give the committee a flavour of what the problem is with our reliance on the UK Government's whole-Government accounts and a little flavour of what you are trying to do to help us along that road?

**John-Paul Marks:** Yes. Again, I will bring in Jackie McAllister. She met Audit Scotland last week to discuss phase 2 and the opportunity of a consolidated assets and liabilities report that we hope that we can produce for the committee. This was a bit before my time, but Jackie McAllister told me that, when that work was originally thought through, the intent was to see whether we could have a consolidated view of assets and liabilities for Scotland's public sector at a strategic level and with sufficient detail so that we could see what that looks like and direct scrutiny accordingly.

We are going back to that original intent to see whether, with Audit Scotland working with us, we can produce a method for the committee that gives us data that is sufficiently current that it will, we hope, inform either decision making or current scrutiny. The problem that we have had in making progress on phase 2 and whole-Government accounts is that we had a dependency on the data that the Treasury and the UK Government were pulling together, and that has, due to the pandemic and a number of other factors, fallen behind. We have therefore not been able to draw down that data and use it to create the phase 2 consolidation. However, I think that we have a method for going forward and making progress, going back to the intent that the committee had of asking us to show it a total view.

Does Jackie McAllister want to give us the latest from last week? I do not want to be too optimistic here, but I would like us to get to a plan that the committee is content with and that is deliverable. To an extent, we have been struggling to do something that was not feasible.

**Jackie McAllister:** It is fair to say that, when we talk about doing a set of accounts, there are accounting requirements on us as the Scottish Government and there is a requirement on Audit Scotland to audit the accounts. That is why the original proposal was so reliant on the whole-of-Government accounts approach, which is a fairly

intensive process that the UK Government runs to ensure that the information is consolidated and aggregated. Interdepartmental balances, as we call them, are removed so that there is a common set of accounts. There is a single set of accounts so that an apple is reported alongside an apple, so to speak. That allows us to meet accounting standards for the accounts, but also allows Audit Scotland to meet auditing standards. It is quite a complex process.

In the absence of information from the whole-of-Government accounts being available to us, what we have tried to do is almost take a step back and respond to the committee on where there is public interest in information that is not pulled together in one place at the moment, but that would add value to information that already exists in the individual accounts of public bodies and public sector entities.

As the permanent secretary noted, the discussion that we are having with Audit Scotland is about whether we can create something that is not a set of accounts but that is additional financial information that consolidates the assets and liabilities of all the public sector bodies in Scotland that are funded through the Scottish Government budget. We can build on that and pull out different elements of information trends over years. We think that that would be of interest and that it would provide more than is currently available. It would not be a set of accounts, so doing that would also give Audit Scotland the opportunity to comment without necessarily having to provide an audit opinion.

We think that that is a workable way forward. We want to ensure that, as we do that, it will meet the expectations of Audit Scotland and those of the committee. We are quite positive that we can take forward a pilot pretty quickly.

**Willie Coffey:** Okay. I think that I am with you. I thank you for your explanation, which was really detailed.

Do you think that we will get to a position in which we can draw down or receive—whatever the terminology is—UK whole-of-Government accounts in order to get to phase 2, which we had originally planned to get to? Will that happen soon, or is that unpredictable?

**Jackie McAllister:** That is a really interesting question. We would be very happy to discuss further with the committee whether that would be the desired way forward. Is it about producing another set of accounts? Is it about having a very detailed document of 100 pages, or is it about providing key financial information that will inform and meet the public interest? Because of the absence of whole-of-Government accounts information, my proposal is that we push ahead

with that plan, we provide the information to Audit Scotland and the committee, and we can then take stock and determine whether, when the whole-of-Government accounts information becomes more timely and available, that is a direction to which we would want to revert.

10:00

**Willie Coffey:** When would the committee see that? Would it be next year?

**Jackie McAllister:** We have got stage 1. We shared that with Audit Scotland last year. We need to wait for the final outturn to do stage 1. We are going to start stage 2 now, and the intention is to share it, based on 2022-23, with Audit Scotland first. I hope that we would work through that in an agile way by providing the information and how we think it could be presented. At that point, we could decide whether the pilot is something that the committee would be interested in seeing. We would hope to reach an agreement on that so that, when we do 2023-24, we run through the full process.

Next year, we want to link and align stage 1 with the financial outturn reporting, which reports on spending against the Treasury budgets. We want to put the asset and liability information alongside the information on the spending against the budgets. We think that that would be a really nice package and that it would be really good timing. That is our intent as we move forward.

**Willie Coffey:** Okay. That sounds very encouraging. I will leave it at that, convener.

**The Convener:** For the avoidance of doubt, that is a long-standing request from the committee, dating back to 2016. I think that the committee was promised it in fairly short order at that time, but here we are, almost eight years later, and there is no sign of it.

Just to be clear, we are not asking for that as a matter of curiosity or because of some kind of hobbyist interest. We think that it is really important, as does the Auditor General, that we understand what we own and what we owe. Individual components of the public sector are, of course, expected to provide audited accounts so that we can see what they own and what they owe. All that we are requesting is that we get something similar across the whole of the public sector in Scotland.

We recognise that there have been obstacles to that and that there is the latest series of obstacles that are outwith your control. I think that you described that in the letter that you sent to us, permanent secretary, but I want to reaffirm the store that we set by that and the importance that we attach to it being tackled urgently. The

language of the Auditor General continues to be that that is a deficiency that needs to be addressed with some urgency.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I have a couple of issues that I would like to explore, permanent secretary. One of them—public service reform, workforce and service redesign—has been somewhat treaded already. The Auditor General's report states:

"The delivery of public services in their current form is not affordable".

Do you agree with that statement?

**John-Paul Marks:** We are changing the form, so I suppose that the Auditor General's conclusion that, without reform, there is a significant affordability challenge—or, that delivery is not affordable—is fair. Earlier, I gave the core civil service as an example of that change. We started at a point in which core Scottish Government staff were to grow by more than 2,000. Actually, we have kept the numbers flat—indeed, we expect them to be marginally lower. We have taken contractors out of our workforce and will continue to do so wherever we can. We are changing the form and the size of the core civil service. I agree with the Auditor General that, if we had not done that, the costs would have been unaffordable, given the total operating cost that is set for us in the budget.

Ministers, with the Scottish Fiscal Commission, had a budget envelope. That was agreed, based on assumptions around growth, tax and the block grant, and they made choices accordingly. I referenced some public services, such as the police service and the fire service, in which there has been significant investment. That investment is to protect those services, protect our low crime rates and ensure that we can continue to deliver the right preventative community support. However, those services are also reforming.

This week, the Deputy First Minister set out very clearly to the Finance and Public Administration Committee, and to Parliament, our intent to continue to reform our public services. We want to move online and be as digital as we can, wherever possible. We have a portfolio of change for that, which involves cloud hosting, payments and automation into services where it is feasible to do so. Disclosure Scotland, National Records of Scotland and Social Security Scotland are examples of where that is working well.

We have done some good work on consolidation of the public sector estate in Glasgow. The team has more plans to take that out to Perth and Aberdeen and, ultimately, to build a multiyear programme. The other day, there was a nice article about our commercial team, showing

how our once-for-Scotland approach to commercial procurement of energy contracts across local government has enabled those councils to effect savings compared with what they would have paid on the open market.

Those types of changes are necessary for our public services to deliver better outcomes and be affordable. If we did not do any of those things and we just carried on without reform, improvement or transformation, there would be a significant risk that, ultimately, public services would not be affordable.

In the final analysis, the budget has to add up. That is a requirement based on law. The budget is fixed in that it has limited flexibility, and therefore we must ensure that it is affordable and that the budget balances. The question is whether we can do that and improve outcomes and experiences at the same time by transforming and improving the way in which we deliver our public services. That is what the reform programme is all about.

**Colin Beattie:** I will take that in totality as you saying, "Yes, I agree".

Given that, clearly, there is no affordability, there is an urgency with which to act, because that unaffordability will not go away. You provided some mitigating factors, but the options in the emergency budget review were non-recurring. They provided short-term relief rather than the long-term solutions and savings that we need.

You are time-bound by a period in which you have to make it affordable, otherwise the budget, as you stated, will go over its limit, and legally we cannot do that. Therefore, you must have a timeframe in mind in which to achieve equilibrium between the budget that will be available and the changes that you need to make to balance that budget, otherwise you are in trouble.

**John-Paul Marks:** Agreed. The 2024-25 budget that is before Parliament for scrutiny seeks to do exactly what you just said in the short term. Alison Cumming might say a bit more about the medium term, the fiscal strategy and the opportunity to set more multiyear envelopes to enable that longer-term planning.

I am trying to make the point that we are living within the cash budgets that are set according to the envelope that is given to us by the Scottish Fiscal Commission, given our tax choices, our block grant and our expectations about any additional income that we might get, and that how we lead through that is the opportunity to transform services and deliver better outcomes even when we are facing difficult financial pressures.

A small example on the preventative side is the work on the Promise. There is a long way to go,

but we are determined to keep the Promise and to support whole-family wellbeing. In Glasgow, for example, we have seen a significant reduction in the number of children in the care system. That is improving outcomes for children, keeping them safe with their families and supporting their wellbeing. It is also, of course, reducing cost. We want to make sure that the focus is on prevention, wherever possible.

On fair work, that means supporting people into work so that they can earn more, which means higher earnings in Scotland and higher revenue. Furthermore, a wellbeing economy strategy generates increased revenue compared with the situation if those earning levels were lower. It is about driving growth and attracting investment, which Scottish Enterprise talked about on Monday. Those are all factors in the long-term strategy, alongside public service reform.

Alison, can you say a bit on medium-term sustainability and next steps?

**Alison Cumming:** Yes. On the point around the imperative for reform, the Barnett funding that is available to the Scottish Government has fallen by 1.2 per cent in real terms since the 2022-23 budget. External conditions are a clear driver for the need to do things differently in order to maintain and continue to improve services and outcomes.

For 2022-23, we had an emergency budget review. I note briefly that, at a time of inflationary shock, our funding did not increase at the same rate as those inflationary pressures. The Scottish Government had a limited set of options available to it. We ended up having to take the savings that are technically available at that point in the year rather than the ones that we would have necessarily designed at the start of the year. In general, that leads to it being more likely that any savings will be non-recurring.

Through the 2024-25 budget work, we have sought to look at where we can realise recurrent savings in portfolios and where there are opportunities to reprioritise funding in portfolios towards those areas that have the greatest impact on the Government's missions.

The budget is proceeding through Parliament. At the same time, we are looking ahead to the production of the next medium-term financial strategy, which is expected to be presented to Parliament in May. That will bring our medium-term outlook for public finances on funding, including tax revenues, and on public spending. In that, we will start to draw out what we expect the trends to be, what the drivers of public spending are and which actions we will take to continue to develop and progress the public spending pillar that was in last year's medium-term financial

strategy in order to improve the underlying sustainability of our public spending. That, of course, includes the public service reform programme. As we see the programme mature into the delivery phase, we will start to draw out what impact it will have on our projections of spend in future years.

**Colin Beattie:** It seems that many of the changes that you make are in response to in-year budget needs, as opposed to long-term budget needs. I am not really seeing the long-term, radical structural changes that are needed to create sustainability over a long period. We are seeing responses to whatever money we are allocated in a year and the cuts to that. How do we deal with both the short term and long term, because, sometimes, they do not act well together?

**John-Paul Marks:** That is a fair challenge. The intent behind the 10-year public service reform programme is to ensure that we keep both the long and the short term in view. I talked at the beginning about the performance report that we have added to the annual accounts, based on the feedback from this committee about improving that line of sight. We have more to do to show short-term, value-for-money outcomes and improvement, wherever we can, towards the medium and long-term national performance framework outcomes.

We think that the budget has done the right things to protect our mission on equality and to drive down child poverty in Scotland. It is nine percentage points lower than it would otherwise be. Our investment in the devolution of social security ensures that incomes for families with children are higher than they would otherwise be. We need to continue with the child poverty delivery plan. There are lots of elements to that, including the work on employment.

10:15

This week, we saw good labour market statistics for Scotland: unemployment is lower here than in the rest of the UK. Our long-term strategy around skills, employment, tackling poverty and childcare is about ensuring that positive destinations for school leavers, which are already at high levels, are sustained, and that the reforms of our systems do, indeed, effect those long-term changes.

A number of long-term reform programmes are under way, such as the reform of social care through the national care service. There is also a level of reform under way in the justice system. As I said, I think that we are on a good trajectory to clear court backlogs and to keep rates of crime low, and in relation to the prison population, which we need to keep under its operating capacity,

obviously. There is a challenge there, with good work under way.

I agree with you: the whole point of the programme is to balance the budget in the short term, and to respond to the shocks that we face and the changes that come. Of course, more may come from the UK Government in the March budget, and more may come after the UK general election. However, we must also ensure that we carry out the underlying public service reform—be that across child poverty, the economy, the move towards net zero or in our public service recovery plans—so that those systems are more resilient for the longer term.

We are going to try to bring those things together. As I said, the Deputy First Minister will provide six-monthly updates to Parliament. We will try to put more definition into those, both short and long term, so that Parliament can see it as clearly as possible.

Ultimately, for the change to be truly meaningful, the systems must be empowered and led by the boards and the chief executives in those systems. That will mean that they are driving the change, with as much enablement and support as we can muster and give them.

**Colin Beattie:** Let me move on to something else: managing financial interventions. The Scottish Government has intervened a number of times over the years, including at Prestwick airport, Ferguson Marine and Burntisland Fabrications. Pretty much all those interventions have had a fairly significant financial consequence for the Scottish Government. What process does the Government follow when engaging with private companies in those circumstances? How does the economic analysis behind it support the decisions that are made?

**John-Paul Marks:** I will bring in Gregor Irwin shortly, if that is okay. I am grateful that Audit Scotland worked so well with us on the section 22 report, and for the committee challenge to our work on the private investment framework. I remember my first time before you when I was challenged on when we would finish the framework and publish it. We completed the framework and published it; it is establishing a discipline.

We established new capability by way of the strategic commercial assets division. We have recruited Gregor Irwin as our director general of economy. He has spent the past few years of his career working for Global Counsel in the private sector. We are trying to ensure that we bring in the best disciplines that we can to the management of the portfolio, to ensure that independent expert analysis informs those value-for-money assessments, so that we get the best return for the

taxpayer that we can and support those assets on their long-term growth and strategies where we can.

Gregor, do you want to say a bit more about that interaction, or about anything else?

**Gregor Irwin:** The permanent secretary alluded to the strategic commercial assets division, which was set up in July 2022. SCAD is right at the centre of the model that we have introduced, providing a management model for those interventions, over their entire life cycle. It also provides assurance processes for me, the permanent secretary and ministers, and does so in a way that is consistent with Audit Scotland recommendations. We are working very closely with Audit Scotland.

During the 18-month period since SCAD's creation, we have introduced a new operating model so that we get the relationship right among the Governments, the sponsor teams and the management teams of those individual assets. I should emphasise that it is a process of continuous improvement: we are always seeking to improve that so that we get right the relationship with those commercial assets, building on Audit Scotland's advice.

The process includes ensuring that, right from the start, we have a clear rationale for any investment and are able to articulate what the exit strategy is. Our approach is about ensuring that we have the right capacity and the right capability in Government. However, we also draw on external expertise, where that is appropriate, so that we can manage the intervention during its lifecycle. That means that we must have the ability to scale up, so that we can have surge capacity to work much more closely and intensively on particular elements of the intervention. It absolutely means that we deploy best practice and that we learn from what works in one example, take lessons from that and improve our approach to working with other assets.

One of the most important developments over the past 18 months is not only our internal ability; it is our ability to draw externally on the right expertise, so that we can ensure that we are fulfilling our sponsorship functions in exactly the right way, advising our ministers in exactly the right way and providing the technical capability to ensure that there is proper budget management and risk management and that all those elements are in place. That requires us to work closely with each of those assets, while respecting the fact that those assets must operate on a commercial basis. There are some areas where it is inappropriate for us to get involved, and we need to give the board and the management team the space to make decisions on a purely commercial basis.

**Colin Beattie:** How well has that worked with Ferguson?

**Gregor Irwin:** With Ferguson, we have improved over time. As I said, SCAD was created a little under 21 months ago, and that has brought better risk management and scrutiny of costs. The costs that are associated with Ferguson have increased, obviously—those are well known. Indeed, we continue to scrutinise costs and the question of the delivery of the vessels. In the case of Ferguson, we are doing that in a way that ensures that we bring in exactly the right commercial and technical expertise so that everything is being done to bear down on costs and to manage risk in the best possible way.

**Colin Beattie:** The big concern relates to how a decision to intervene is taken. Questions have been asked in the past about what that process is. Do you consider that process to be robust?

**John-Paul Marks:** I do. I do not want to be optimistic and then trip up tomorrow—let us try to make sure that we do not do that—but I think that the lessons have been well learned. Gregor Irwin brings huge expertise to the team.

In the section 22 report, the Auditor General recognised that the due diligence that we did on the value-for-money assessment of vessels 801 and 802 was robust. That work was done in a very comprehensive way, consistent with the investment framework that was published, and we sought the ministerial authority to proceed, given our value-for-money assessment. That is the right process, as per the public finance manual, and it is, I assume, what the committee would expect us to do. The auditors helped to ensure that the rigour of the process was comprehensive. I am very confident that any intervention in the future would involve stepping through the same process because of the division that we have created and because the learning has been digested properly.

Let us be clear: when all is said and done, we are in the business of trying to deliver better outcomes and, in this context, improving connectivity and lifeline services for our island communities. The other day, Caledonian MacBrayne confirmed that the first of our vessels from Turkey will come into service this year. Four of those vessels are due during this session of Parliament, plus vessels 801 and 802, so it is possible that we could complete this session of Parliament with six additional vessels in our fleet. We have the small vessel replacement programme ahead of us, too. Our objectives are to get the average age of the fleet down, to improve resilience and, ultimately, to recover to the trend when more people than ever were using our ferry network. We want to ensure that that service is in place.

Such decisions really matter. The learning needs to be embedded in the way that we work, and we have made big progress in that regard. I am happy to commit to providing the committee with regular updates on the work of that division and on how consistently that framework is applied. Like you, I want to make sure that the lessons of the past are learned and that we optimise value for money.

**Colin Beattie:** It would be helpful if you could do that.

As recently as this morning, we heard that multiple purchasers are interested in Prestwick airport. What is the process for assessing potential buyers? In the past, comments have been made about the danger of asset stripping, because it is possible that the land attached to Prestwick airport could be sold off for development. How are you assessing the approach of potential buyers, how genuine they are and what the benefits would be to the country?

**John-Paul Marks:** There is a robust process for that. Gregor Irwin will say a bit more.

**Gregor Irwin:** Scottish ministers have said that they intend to return Prestwick airport to private ownership at the appropriate time. They have also said that any such decision would need to be informed by what was right for the success of the business and its contribution to the local economy. When we receive expressions of interest, it is essential that we pursue them rigorously and assess their credibility.

If we are to return Prestwick airport to the private sector, it is important that the proposition be one that ensures its continued success as an airport and an aviation business, because it has made considerable progress over the past few years. In that process, the board plays a role and Government officials play a clear role in bringing advice to ministers, and we also draw on external commercial advice. If necessary, and when appropriate, we will conduct due diligence on any parties that express interest in order to determine their credibility. If a proposal to buy Prestwick airport meets the criteria that I described, the cabinet secretary, Neil Gray, has committed to informing the Parliament and updating it at the earliest opportunity.

**Colin Beattie:** How feasible would it be to build into the process some certainty that an asset stripper could not simply buy the airport?

**Gregor Irwin:** The ministerial commitment on that is very clear. We are looking to ensure—

**Colin Beattie:** It is contractual commitments that are needed.

**Gregor Irwin:** The contractual commitments would be reflected in a ministerial decision and a

proposition to return Prestwick airport to the private sector.

**Colin Beattie:** Would the intention be to ensure that there were conditions in the contract that prevented a buyer from simply selling off bits of the assets and being left with a rump airport?

**Gregor Irwin:** The intention would be to ensure the continued success of Prestwick as an aviation business—

**Colin Beattie:** That is not the same thing.

**Gregor Irwin:** The means by which that would be done would be determined in accordance with the circumstances at the time and the advice that we received from legal and commercial advisers about the best means to achieve that outcome.

10:30

**Colin Beattie:** Surely it would not be in the interests of the country for someone to take over the airport and just strip out its value.

**Gregor Irwin:** We agree on that. That is not an outcome that we would want. Ministers are very clear—

**Colin Beattie:** How will you prevent it?

**Gregor Irwin:** We would take commercial and legal advice in order to ensure the best possible protection against that outcome. The approach would depend on the circumstances that we found ourselves in at the time and the nature of the proposition from the counterparty that we were dealing with. It would be tailored to those circumstances in order to ensure that outcome.

**Colin Beattie:** I have a couple of quick other questions. The framework agreement for Ferguson Marine (Port Glasgow) Ltd was due to be finalised by December 2023. Has it been finalised?

**Gregor Irwin:** The framework agreement is close to being finalised. We expect that to happen in the next month or two—either this month or next month.

**Colin Beattie:** Perhaps you could advise the committee when that happens.

**Gregor Irwin:** Of course.

**Colin Beattie:** Lastly, the due diligence exercise for the MV Glen Sannox and the MV Glen Rosa was supposedly done in accordance with the requirements of the Scottish public finance manual. What information can you share on previous due diligence reviews for those vessels? What information will be available on the current on-going review?

**Gregor Irwin:** In September 2022, the chief executive of Ferguson Marine informed the Net

Zero, Energy and Transport Committee of cost increases, which were then subjected to due diligence. That was provided by Teneo, which was supported by other technical consultants, including Woodbank Marine. That led to the decision to seek written authority, which our ministers provided.

That was a complex but really important exercise, given the importance of the decisions that were taken. It also required us to interrogate some really commercially sensitive information. It is because of those commercial sensitivities that we are limited in our ability to publish that information. It has been shared with Audit Scotland. The Auditor General has confirmed that Audit Scotland was provided with full access to officials and to documentation, including the due diligence work that supported that decision.

**Colin Beattie:** How much can you provide to the committee?

**Gregor Irwin:** We have provided the committee with as much information as we can, given the commercial sensitivities. Those sensitivities get right to the heart of the competitiveness of Ferguson's as a business. I am sure that we all have a shared interest in ensuring that we do everything possible to ensure the future commercial success of Ferguson's. As I said, Audit Scotland has reviewed the procedure that we followed and the advice that those third parties provided. It has confirmed that we followed the appropriate approach leading up to the process of seeking written authority.

**The Convener:** I think that Graham Simpson wants to come in on a couple of those points, and I have a couple of questions, too.

**Graham Simpson:** I will ask you about Ferguson and Prestwick airport. If we stick with Ferguson for the time being, what was it about proceeding with the Glen Sannox and the Glen Rosa that did not represent value for money?

**Gregor Irwin:** We did the due diligence on those revised cost estimates. The requirement for me, as an accountable officer under the Public Finance and Accountability (Scotland) Act 2000, is to assess the regularity, propriety and value for money of any policy or programme. In this case specifically, we were looking at the programme in the light of those revised cost increases.

The conclusion that I reached on the basis of advice from my colleagues in the Scottish Government and from external advisers was that the conditions for regularity and propriety were satisfied in both cases. Value for money was satisfied in the case of vessel 801—the Glen Sannox—but, in the case of vessel 802—the Glen Rosa—we were comparing the estimated cost of completing it with possible alternatives. When we

did that analysis, given various factors that were creating uncertainty, including the inflationary environment and the progress of the build, we concluded, at that time, that I could not gain sufficient assurance on the question of value for money in the case of the Glen Rosa, or vessel 802.

**Graham Simpson:** Essentially, you arrived at the conclusion that it would be better value for money—cheaper—to procure a vessel elsewhere rather than proceed with the Glen Rosa.

**Gregor Irwin:** You are right; that was based on a narrow value for money calculation and a comparison with alternatives. Of course, when our ministers provide written authority, they take into account wider considerations and benefits, including the timeliness of delivery of the vessels compared with the alternatives, given the lead-in time for that procurement process, and the wider economic benefits from maintaining shipbuilding on the Clyde. Under the SPFM and the Treasury's green book, we were able to take into account only some of the narrower associated benefits.

**Graham Simpson:** I understand that ministers have to consider things other than just the cost of the vessel. I think that this question has been answered previously, but will you remind me of your estimate of the cost of procuring a new vessel?

**Gregor Irwin:** That information has not been published, in part because it draws on commercially sensitive information. If we were to go through another procurement exercise and were to release that information, doing so would put us at a commercial disadvantage.

**Graham Simpson:** I will need to check the record, but, when I was not a member of this committee but had joined it for a session, I am pretty sure that Neil Gray provided an answer to that.

**Gregor Irwin:** We can check that.

**John-Paul Marks:** We absolutely can check. One of the benchmarks that people sometimes use is, "What was the cost of procurement for the vessels that are coming from Turkey?", but, for those vessels, the scope, the history, the service routes and all the rest of it are slightly different. Let us double-check. If that is information that we can provide, there is no problem. Your analysis is right.

**Graham Simpson:** I honestly cannot see why that should be a big secret. We know what the vessels from Turkey are costing.

**Gregor Irwin:** If we were to go through a procurement exercise, we would be looking to minimise the cost of that procurement.

**Graham Simpson:** Of course.

**Gregor Irwin:** If we were to disclose a figure by saying, "This is the assumption that we make about the cost of that procurement," that would put us at a disadvantage in that process, which could be costly.

**Graham Simpson:** Yes, but we are trying to understand why you arrived at the conclusion that it was not value for money to continue with the Glen Rosa, as opposed to another option. Figures are therefore quite important in that regard. I completely accept that, if you were to go out and procure, you might arrive at a different figure, but you have based your assessment on something.

**Gregor Irwin:** We based our assessment on the best possible estimate of the alternative cost if we were not to continue with the build of the Glen Rosa. If we were to publish that number, it would potentially put us at a disadvantage if we were to go through such a procurement exercise, because we would have published a number that indicated what we would expect to pay as part of the process.

**Graham Simpson:** What was your estimate of the cost to complete the Glen Rosa?

**Gregor Irwin:** That was part of that due diligence exercise. We have shared that information with Audit Scotland. We have always said that it is for the chief executive of Ferguson's to update Parliament and the Net Zero, Energy and Transport Committee and, of course, to come before this committee if his estimates of the costs to complete the vessel change. The due diligence process that we went through, drawing on our commercial advice, not only interrogated those numbers but looked at questions of contingency. It was doing that on the basis of an examination of the yard's competitiveness and its ability to deliver the vessels at cost according to the timeline that was set out at that time. Therefore, it was an interrogation, in a sense, of the competitiveness of the yard at that moment in time.

**Graham Simpson:** I asked you for a figure. Are you prepared to give the figure?

**Gregor Irwin:** We have not published that figure because it is commercially sensitive.

**Graham Simpson:** I know that you have not published it—I am asking you for it.

**Gregor Irwin:** At the time that the analysis was done, and I do not think that anything has changed since then—

**Graham Simpson:** That is not commercially sensitive, Mr Irwin.

**Gregor Irwin:** The figure is based on an interrogation of the competitiveness of the yard and the credibility of its estimates of the cost of completing that vessel. There is a degree of

commercially sensitive information that is inherent in that calculation, and it is for that reason that we did not wish to publish and share that information. We are absolutely committed to being as transparent as we can be with this committee and the public and, indeed, will publish material where possible. We also have a requirement to not put the yard at a competitive disadvantage so that we can do everything that we possibly can to secure a sustainable future for the yard.

**Graham Simpson:** That would not put the yard at a competitive disadvantage. We only want to know the estimate of the cost of completing the vessel. That would not affect the yard's competitiveness. It should not be a secret.

**John-Paul Marks:** It is set out in quarterly updates from the chief executive, is it not?

**Gregor Irwin:** Yes.

**Graham Simpson:** What is the answer?

**Gregor Irwin:** As the permanent secretary indicated, the chief executive comes before the Net Zero, Energy and Transport Committee once a quarter and provides updates on the estimated cost of completion.

**Graham Simpson:** I am aware of that, but you are here in front of the Public Audit Committee being asked for a figure, and you are trying to hide behind the chief executive.

**Gregor Irwin:** I am trying to explain that, when we commission external due diligence that interrogates the competitiveness of the yard, its ability to build vessels and the cost associated with building those vessels, the detail of that is commercially sensitive and its publication could jeopardise our efforts to ensure that the yard enjoys a strong, commercially successful and sustainable future.

**Graham Simpson:** Has a decision been made on how much the Scottish Government is prepared to invest in the yard on upgrading equipment there? We know that the chief executive has asked for further investment. He was turned down, and there is going to be a review. Has that taken place?

**Gregor Irwin:** The yard submitted a business plan and an investment plan. With any investment proposition of that sort, we are legally required to demonstrate that Government support would comply with subsidy control requirements. That includes that we act in a manner that is consistent with the way in which a commercial market operator would act. We commissioned external due diligence on that and reached the position that we were unable to be satisfied that we would meet that commercial market operator test on that proposal.

Since then, we have been working with the yard to revise its business plan and the investment plan that is associated with that. We have supported a request from the yard for it to have the budget to hire external advisers to ensure that the investment plan and business plan are as rigorous as they possibly can be. That work is on-going, and we hope to receive a revised business plan and investment plan from the yard soon. We will examine those carefully. If we can find a way in which to do it in a manner that is consistent with subsidy control, then of course that is a proposition that we will be able to take to ministers.

10:45

**Graham Simpson:** What happens if you cannot find a way to do it?

**Gregor Irwin:** We absolutely want to do what we can to ensure that we invest in the yard in a way that allows us to secure its commercial future and provide a pathway to a sustainable commercial future.

The exercise that we are going through now is essentially to try to ensure that the plan that emerges from the yard can be consistent with a subsidy control regime. If the proposition that comes back does not do that, we have the option of trying that again. We are bound to comply with the legal regime. We have brought in advisers to support the yard as it develops that plan. You have heard David Tydeman describe his optimism about the potential for the yard to win orders and future business. We need to ensure that we support the yard in the best way that we can, but in a manner that is consistent with the legal framework within which we have to operate.

**Graham Simpson:** In the interests of time, I will go back to the Prestwick airport situation. I am trying to understand the process. What happens when somebody approaches the airport with an expression of interest in buying it? First, it goes to the board, and the board should then tell you that there has been an expression of interest. What happens after that?

**Gregor Irwin:** What happens after that is that our officials will typically work with the board to examine the credibility of the entity that is expressing that interest, and also the nature of that interest and what the proposition is from that entity. Of course, our ministers will be informed of that throughout.

At some point during that process, we may conclude that we need to draw on external commercial advice. That may take the form of due diligence concerning the entity that has expressed interest—we need to test whether it is a credible purchaser. That is partly a question of the

individuals themselves, but it is also a question of the financial strength of that entity; of its ability to raise finance, if that is what is being proposed; and of its skills and expertise in the aviation sector and the nature of the plan that it has for Prestwick airport as an aviation business. It is a combination of the board's working with officials and drawing on the right sort of external advice at the right moment in the process.

**Graham Simpson:** Is it the case that you take your main advice from the board, or is it actually your decision? If the board said, "Actually, we don't really want to sell," which is my impression of the board, could you potentially take a different view and say to the board, "Well, no, this actually looks okay to us."?

**Gregor Irwin:** We are the shareholder, so, ultimately, this is a decision for the Scottish Government and our ministers. Our ministers have said that, when the moment is right, they want to return Prestwick airport to the private sector. The board has considerable expertise. We respect and draw on that, but, of course, as part of our sponsorship function, we also need to rigorously test what we hear from the board. External advice can certainly help to support that process, because that external advice is independent.

**Graham Simpson:** I shall leave it there. Thank you.

**The Convener:** We are a little bit against the clock, but we want to ask you about a couple of other areas. Before we move on, permanent secretary, what is your view of the fact that the written authority that was sought this year was the first one since 2007?

**John-Paul Marks:** The written authority was well done; Audit Scotland has given us that confidence level.

**The Convener:** Do you think that there have been so few concerns about ministerial spending decisions in all that time that a written authority would not have been warranted at any point?

**John-Paul Marks:** You might have asked me that question before. It is a bit hard for me to judge. Since I became permanent secretary, that was the first time that we judged it necessary, and, of course, the chief financial officer and I worked with Gregor Irwin on that.

It is obviously an exceptional process and not routine. My experience in Whitehall was that written authorities were very few and far between, but, when they were used, there was an understandable reason, such as for support grants in an emergency economic context in which fraud and error checks might not be possible.

I can say to the committee that I am committed to ensuring that the public duties expected of us

as accountable officers—that things are lawful, proper, regular and value for money—are tested regularly. Jackie McAllister and I step through the AO control process on all our expenditure, and we constantly test that. The vast majority of the time, where there is a concern or a doubt with regard to that, there is a dialogue with ministers to ensure that we are delivering value for money, because that is what they also want to do.

I do not have a commentary on what happened before I was permanent secretary here, because I did not experience it, and I do not know the nature of the conversations that meant that authorities were not required at the time.

**The Convener:** Okay. I will move on to another quick question about the strategic commercial assets division. Do you consider the Petroineos oil refinery at Grangemouth to be a strategic commercial asset?

**John-Paul Marks:** Grangemouth is a critical part of Scotland's national infrastructure, and Ineos and PetroChina are essential partners in business there. Our ministers have been working with Grangemouth on a just transition plan and on the right thing for our energy transition for many years. I do not know whether Gregor Irwin wants to say more on the latest interaction. We will continue to do everything that we can to make sure that, in the transition that Grangemouth is going through, people are supported in terms of jobs and that we get the assurances that we need from the UK Government on our energy security.

**Gregor Irwin:** Petroineos clearly said that it is planning to build import infrastructure. It has also said that it has not reached a final decision on the future of refining at Grangemouth. There is planning to ensure that, whether refining continues at Grangemouth or that import capability exists, access to fuel will be continuous and will be available from the Grangemouth facility for many years to come, under different scenarios. That is important from a strategic perspective.

A number of companies and operations make up the Grangemouth cluster. The refinery is one important part of that, but there are other companies that make up the cluster. We have been doing work for a while and we continue to do work, and it is important to support that cluster as it transitions. We, and, indeed, the companies that are involved in the cluster, see lots of opportunities, from low-carbon hydrogen production, biorefining and carbon capture and storage. That work is on-going, and, clearly, it is very important that we get that right.

**The Convener:** Can I take from that that you do consider the oil refinery to be a strategic commercial asset? Does it fall within the scope of your strategic commercial assets division?

**Gregor Irwin:** It does not in the sense that the term “strategic commercial assets” refers to assets of the Scottish Government. The strategic commercial assets division is responsible for interventions. The process in this instance might lead to an intervention, but that is most definitely a step of last resort. There are other things that we do to support businesses in a range of different circumstances well before there is any question of financial intervention. We have already discussed Ferguson Marine and Prestwick airport, which are two important strategic commercial assets of the Scottish Government.

**The Convener:** Let me move on to another industrial intervention that is contained in the report, which is the Lochaber aluminium smelter. That brings us into the relationship between the Scottish Government and the GFG Alliance. The Auditor General's words are again pretty clear this year. Not only has he chosen to include that in his section 22 report on the Scottish Government's consolidated accounts, but he says:

“There continues to be uncertainty regarding the financial stability of GFG Alliance”.

He goes on to point out that the potential liability to the public purse has increased by £21 million since last year to an exposure of £135 million. How are you managing that? What is your response to that? Is it not looking increasingly likely that this whole investment could run into difficulty?

It was reported at the weekend that the former chief executive of Wyelands Bank, which was part of the GFG Alliance, was fined £110,000 by the Bank of England's prudential regulation authority. There are Serious Fraud Office investigations into the GFG Alliance. Various House of Commons select committees have cast doubt on the business model of the GFG Alliance. The last time that we took evidence from you, we heard that the group had failed to submit audited accounts. Where is your relationship with the GFG Alliance, and what is the current position, as you understand it, given that risk and uncertainty identified by the Auditor General?

**Gregor Irwin:** The business at Lochaber is operating well. The smelter is generating revenue, and the business has strong and important links with the local community. There are 214 jobs at the complex, which is 40 more than in 2016. Just last year, seven new graduate apprenticeships were created by Lochaber. So far, the Lochaber guarantee is meeting not just its economic objectives but its financial objectives. It generates income for the Scottish Government, as you will have seen from the accounts. We have increased the provision, and that reflects market developments over the financial year, for the accounts. The value of the security has

decreased, but we have a strong suite of securities, including the smelter, the hydro and the estates.

We have a robust approach to monitoring that and to the relationship with GFG. We have a quarterly guarantee meeting with GFG staff and smelter staff. I visited the site, and I believe that the permanent secretary has as well. We have heard about the investment plans that are being progressed for the site. We now have planning permission for the billet facility there. We have regular engagement at official and ministerial level, and that work is supported by external commercial advisers. We interrogate carefully everything that we hear from GFG Alliance. We think that it is absolutely important that we plan for all possible contingencies, and, as I said, that suite of securities is a strong one.

The provision in the accounts is informed by a technical assessment of a range of credit risk scenarios. Those are provided by independent advisers. It is not a forecast of likely outcomes in respect of the guarantee. The Auditor General has said that our approach, in setting that provision against the potential exposure, is a reasonable one.

11:00

**The Convener:** You said that you met representatives of the GFG Alliance. When was the last time that the Scottish Government or one of its representatives met Sanjeev Gupta?

**Gregor Irwin:** I am afraid that I could not tell you that at the moment, but we could certainly find that out and share that information.

**The Convener:** What is the latest position on the submission of audited accounts?

**Gregor Irwin:** We have discussed that with GFG. We emphasised to it the importance of satisfying audit requirements, and it has told us that the appointment of auditors in the UK is a priority for it. Clearly, that is something that we think that it should address and it is important that it does so. We hope that progress will be made in the near future.

**The Convener:** I am going to move us on to the final couple of areas that we want to speak to you about. One is around the corporate transformation programme. Paragraphs 84 and 85 in the audit report talk about that and remind us of the escalation in costs and the slippage in timetable of the new systems for human resources and finance. The original cost was estimated to be £22 million. It has now almost doubled; it has gone up to £40 million. The date of implementation was meant to be the middle of last year for the HR system and the end of last year for the finance

system. We are now told that it will not be until April of this year. Can you provide us with an update on where that is? Are you going to meet those revised timetables?

**John-Paul Marks:** You are right, convener. We have to get this right. Audit Scotland quite reasonably called out for a number of years the fact that the underlying systems and processes were not fit for purpose and there had been a deficit of investment in those core systems. It is not just about the core Scottish Government, because more than 30 public bodies are also dependent on those systems. You have seen some examples of where such work has not gone well. I am very determined that we will do it and make sure that the implementation is as safe and secure as possible.

You are quite right: the intent was for implementation by the end of the current financial year. I think that it will be in the current financial year. I do not think that it will be in April. We need a few more months of testing to conclude on the final business processes that are necessary to implement this really safely. That does not change the cost of the system to the Government and it is the right thing to do.

It is also partly to do with year-end reconciliation. When we do the cutover, there has to be a freeze on the data and on recruitment, for example, for that short period. We will finalise that accordingly. As you said, Audit Scotland has had access and it has gone through the revised business case. That has been affected by inflation and those costs, but I am very determined to keep those costs down within that business case as much as I can and to maximise the benefits from the system change for those public bodies and the Government so that we get improved efficiency in the longer term. We are working on all of that.

**The Convener:** Is an external information technology contractor involved?

**John-Paul Marks:** The product is Oracle enterprise resource planning, so the answer is yes, in that regard. We are not configuring our own product as an in-house agile development or anything like that. It is an off-the-shelf, mainstream software service that is well tested and has been delivered many times in many other organisations. However, it is certainly the most complex internal IT implementation that I have done in Scotland, so we want to ensure that we get it right. I am very happy to keep the committee updated as those plans progress through the year.

**The Convener:** With these kind of contracts, is there never any consideration given to the agreement of a fixed-price contract, rather than some kind of cost-plus, evolving and ever-increasing price tag?

**John-Paul Marks:** I do not know whether Jackie McAllister wants to say anything more about the commercial strategy. She is leading the finance strand. I am happy to review that because, obviously, we want to ensure that we get the best value for money for the taxpayer. Jackie, do you have anything to add?

**Jackie McAllister:** I reinforce the points that the permanent secretary has made. It is a really complex programme of work. It is about replacing the finance and HR systems for not just the core Scottish Government, but over 30 public bodies and agencies. Although we are adopting the Oracle Cloud system, there are specific integrations and data considerations that we need to get right. The way that we work through those is by working through the programme. There has been tremendous progress on that, but it is inevitable, due to the overall complexity of the programme, that there are things that need to be addressed and that become apparent as we move through the programme.

I am not an expert on IT contracts, but I suggest that one of the drawbacks with a fixed-price contract is that it would actually constrain us from optimising the implementation of the system and the benefits that come alongside that. As the permanent secretary alluded to, although we have 30 public bodies involved at the moment, we are adopting a fairly standardised shared service platform that we hope will help us to drive some of the efficiencies that we want to make in the public sector more broadly.

**John-Paul Marks:** On that last point, it comes back to the conversation that we have had today around efficiency and effectiveness. As Jackie McAllister said, if we can establish the platform well, we will see many benefits. We have seen recently with our energy procurement contracts for local government that, when we do something once for Scotland, we can get a better deal and better outcomes for less cost. We want to keep putting in place platforms—common enablers—that all parts of our public sector can utilise to reduce costs. That will support fiscal sustainability.

**The Convener:** Sorry for my ignorance—I have not started reading “Computer Weekly” just yet, although it has been in the news quite a lot recently. Is Oracle the name of the software or the name of the company that provides it? Who is the IT provider? What is the name of the commercial outfit that is providing the system?

**John-Paul Marks:** Oracle Cloud is the commercial outfit.

**The Convener:** Is that the company name?

**John-Paul Marks:** Yes. It is providing the ERP product. If a bit more detail on that would be

helpful, we could get the senior responsible owner to keep the committee updated on it.

**The Convener:** Thanks, permanent secretary. We do get regular reports on IT projects, so we do get opportunities to view and review those.

As we are on the subject of software, I will finish by turning to our resident in-house expert on all these matters: Willie Coffey. Willie, do you want to ask the final couple of questions?

**Willie Coffey:** Thanks for that, convener. Oracle is well established and trustworthy. I am just glad that the system is not called Horizon and it is not riddled with bugs that will end up putting people in jail. I think that it is important to put that on the record. It is very respected software and I look forward to seeing the developments with it.

Permanent secretary, I cannot let the opportunity pass to ask about Prestwick airport, which was mentioned earlier. As an Ayrshire MSP, I listened very carefully to what you and Mr Irwin said on the subject and I am assured that you are taking into account all the factors that are important for us, particularly in Ayrshire, in supporting the airport. The Government was right to step in in 2013 to save the airport and save thousands of jobs, which has kept the aerospace industry clearly established in that part of Scotland. It is a major strategic industry for Scotland as a whole.

One plea that I have is that, if we ever proceed to thinking about selling the airport, we ensure that all that activity is protected and retained, but also that we try to encourage further development of the passenger traffic at Prestwick. Many people in my part of the world—in Ayrshire—feel compelled to travel to Glasgow, Edinburgh or further afield when they would really prefer to use Prestwick if they are fortunate enough to fly off to places during the summer or whenever. The plea from my constituents and, I am sure, my Ayrshire colleagues is for that to be part of any deal.

**John-Paul Marks:** It is nice to finish with that comment, Mr Coffey. Last time we spoke about Prestwick airport, we talked about the wider value-for-money economic benefits that it has brought. We have the economic assessment under way as part of that due diligence. Again, I am very happy to keep the committee updated on that.

My experience of visiting the airport is that I was very impressed by the chair and there was a very compelling strategy for growth and for diversifying the airport. As Gregor Irwin set out, our ministers are clear that any purchase of the airport must be done in a way that protects the asset and, of course, the voice of the local community would be an essential part of that engagement, too. Ministers share your determination, and we share the view that, although the portfolio of assets that

we have discussed today has a level of novelty about it, it is quite possible that Prestwick airport will continue to make a profit, deliver a good return and be a success story. We will do everything that we can to support it in that endeavour. We will do that economic assessment and make it publicly available so that the wider benefits for the supply chain, jobs, business and growth are as clear as they can be.

**Willie Coffey:** Thank you so much for that. I had not quite finished—

**John-Paul Marks:** Ah—okay. Sorry. [*Laughter.*]

**Willie Coffey:** The final area that we hoped to cover is general performance reporting. The Auditor General made some significant comments on that. In your opening remarks, you mentioned that performance reporting has to be part of mission-led Government that transforms services. However, the Auditor General said that the Government's approach to public performance reporting needs to improve, and he mentioned a load of indicators in that regard. Will you give us a flavour, finally, of how that is improving? What will the value of the performance reporting framework look like to the public? How will the public be able to see improvements in performance right across the public sector?

**John-Paul Marks:** That is really important for us as a Government, for the Parliament and for devolution. When I visited Young Scot recently, we talked about how the country is changing but so much of what we understand about underlying trends is not understood and not sufficiently visible or explained. That situation is obviously disappointing and we want to improve it.

The committee gave us the good challenge of getting the performance report into the accounts. We have made that start, although I think that we all accept that it is still a little too annual account-ish in terms of its density. We tried to include almost everything and lost the story. We want to ensure that, for the strategic narrative, we can refine the key missions that the Government is seeking to achieve on equality, opportunity and community. What do they mean in real terms? They mean child poverty rates being lower in Scotland compared with the rest of the UK regions and nations. We can evidence that already—I referred to the 9 percentage points. We are determined to meet our statutory targets and get to the relative poverty target by 2030.

The opportunity mission includes indicators on foreign direct investment, exports, growth, earnings and fair work. We have a collection of indicators against which we can see our progress relative to that of the rest of the UK towards net zero and just transition, with emissions falling towards 2045. The opportunity mission for justice

means getting the court backlogs down by a third. We want to get rid of those backlogs in the current session of Parliament. On education, positive destinations are at record highs. On health and social care, we have seen some good improvement, such as the reduction in drug deaths, and we want to continue that trend in the years ahead. We want to tackle planned care backlogs and the longest waits.

For the key indicators against the key missions, it is about showing the trend data. Where were we? Where are we? Where are we trying to get to in order to achieve our national outcomes? Have we made progress in the short and medium terms? That is what mission-led Government means, and our governance is constructed to drive that through. People sometimes talk about the implementation gap. We are trying to close that gap and to be clear that the strategy, the change programmes, the capabilities, the investment and the delivery are aligned. You as a committee and the Parliament can hold us to account on that so that the outcomes are improving by the end of the current session and by the end of the decade. Where that is not the case and we have a challenge—we had one recently with regard to the prison population—we can set out to Parliament what we are doing about it to mitigate the risk and live within our operating capacity.

We will keep working on the performance report to make sure that it tells that strategic narrative, aligned with the missions, and we are publishing the mandate letters accordingly. There are opportunities to have more real-time data linked to the NPF so that it is not only historic, given the gaps that it currently has, and we can show in real time whether we are making progress against the key indicators. That is the journey that we are on. It is getting better, but I agree that we still have more to do. Audit Scotland is helping with that challenge, and we will keep responding to it as best we can.

**Willie Coffey:** Okay. On that positive note, thank you very much.

**The Convener:** I thank the permanent secretary, John-Paul Marks, for his time and his willingness to answer our questions. It is greatly appreciated. I also thank Gregor Irwin, Jackie McAllister and Alison Cumming for giving us the benefit of their insights into the way the Government is working and how the reform programme is progressing.

I will close the public part of this morning's meeting and move the committee into private session. Thank you very much.

11:16

*Meeting continued in private until 11:35.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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