

**Report by the
Comptroller and Auditor General**

The Scottish Executive

**Progress on
National Audit
Office Reports on
Scottish Matters**

Laid before the
Scottish Parliament by
Scottish Ministers
14 December 1999

Executive summary

1 In the two financial years 1997-1998 and 1998-1999, we published seven value for money reports on Scottish matters, covering the Skye Bridge, Scottish New Towns, Highlands and Islands Enterprise, Cataract Surgery, Glasgow Caledonian University, Further Education and the NHS Estate. The Committee of Public Accounts has taken evidence on four of these and published their recommendations for improvements on each. The other three reports included recommendations and proposals for further consideration and action by the bodies concerned.

2 This report records the progress achieved by the responsible bodies in responding to the recommendations on each individual report. The report includes sections for each of the reports published indicating the issues we examined and our main findings, and highlights developments against each of the recommendations made.

Reports where the Committee of Public Accounts took evidence

3 The Committee of Public Accounts took evidence and published reports on the following:

The Skye Bridge (Part 2)

4 As one of the earliest completed projects the Skye Bridge was an important milestone in the implementation of the use of private finance. Following an initiative by the former Highland Regional Council, in 1991 the Scottish Office (now the Scottish Executive) Development Department signed a contract for the design, build, finance and operation of the Skye Bridge with the developer Skye Bridge Tolls Limited. The bridge was subsequently built at the expense of the developer who now operates it and receives tolls to recover the costs incurred, including the financing costs.

5 The Department achieved their primary objective to secure the early provision of a fixed crossing – the bridge opened to traffic in October 1995 - and the Department's approach to procurement was generally well chosen though they were unable to bring competition to bear in the final stages. Total expenditure on the project by the Department and users will amount to £39 million. While the Department's own project costs were higher than planned most of the project's costs were determined competitively and the extent of risk transfer is in line with

similar privately financed projects. The Department remain on course to achieve their objectives for tolls, namely that tolls should be no higher in real terms than the former ferry fares and that the concession should end within 20 years. The Department now expect the concession to end in 2012, i.e. within 17 years.

6 After completion of the National Audit Office report in 1997 tolling policy was changed to benefit regular bridge users, which will increase the Department's costs. And after the May 1999 the Scottish Ministers decided to review the effects of the earlier toll changes and to freeze tolls at 1999 levels throughout the remainder of the concession. The further changes necessary to the contract are currently being negotiated.

7 The Committee of Public Accounts reported on the project in 1998. They concluded on the achievement of the Department's objectives, the costs of the bridge, the limited extent of competition for the project and value for money. The Government's response to the Committee's report confirmed that since this early private finance project, and taking into account the lessons from it and wider experience across Government, the Department have acted positively to implement improvements in procedures for procuring services in partnership with the private sector.

Highlands and Islands Enterprise (Part 3)

8 Highlands and Islands Enterprise are a Non Departmental Public Body established in 1991 to assist the economic and social development of the Highlands and Islands, to enhance skills relevant to employment there and to improve the environment. Within a strategic and operational framework set by the Scottish Executive, Highlands and Islands Enterprise have developed their Strategy for Enterprise Development aimed at enabling the people of the Highlands and Islands to realise their full potential, through growing businesses, developing people and strengthening communities. Highlands and Islands Enterprise spend around £80 million each year.

9 Assessing the impact of economic development assistance is difficult and agencies such as Highlands and Islands Enterprise face considerable challenges in devising the means to do so. Objective assessment of achievement is required to safeguard the taxpayer's interest and to inform decisions about the value for money to be derived from assistance measures. The report examined how Highlands and Islands Enterprise measured their performance and evaluated the results of their expenditure programmes.

10 The Committee of Public Accounts reported on the project in March 1998. They concluded on the Department's sponsorship of Highlands and Islands Enterprise, on the ways in which Highlands and Islands Enterprise performance is measured, and on how well Highlands and Islands Enterprise have been performing. Since the Committee's report was published the Department and Highlands and Islands Enterprise have acted positively to develop the performance measurement framework and to introduce new measures of achievement. Over time, this should ensure a model system for performance measurement allowing Highlands and Islands Enterprise to produce relevant and reliable reports on their achievements for the Scottish Parliament and others.

Cataract Surgery in Scotland (Part 4)

11 In 1992, the Scottish Office Department of Health commended to the NHS in Scotland an aim of having 80 per cent of cataract operations done as day surgery by the end of 1997, in order to save around £1.9 million and provide a better service for patients. Only one out of 17 trusts where ophthalmic surgery is carried out reached this level and six trusts carried out less than 25 per cent of their workload as day cases. The report looked at the NHS' progress in reaching 80 per cent day surgery, constraints on progress and the potential benefits of more day surgery.

12 Following a Treasury Minute providing a response to the Committee's report, the Committee took further evidence from the Department in March 1999. The Committee's subsequent report concluded on the progress made to increase the level of day surgery for cataracts, and on how maintaining the momentum towards higher levels of day care surgery had the potential to lead to enormous improvements in the quality of many peoples lives.

13 Since the National Audit Office's report was published the proportion of operations undertaken as day surgery has increased. Against a target for 80 per cent of cataract operations to be undertaken by day surgery the NHS Trusts in Scotland have increased the proportion from 27 per cent to nearly 65 per cent by June 1999. Conducting 65 per cent of cataract operations through day surgery not only benefits more patients but should also represent savings in excess of £1 million to the NHS in Scotland.

The NHS in Scotland: Making the Most of the Estate (Part 5)

14 The National Health Service in Scotland (NHSiS) serves a population of some 5.1 million and is the responsibility of The Scottish Executive Health Department (the Department) through the Management Executive. At the time of our study, the NHS comprised 15 Health Boards, 46 NHS hospital Trusts and various other NHS bodies including the Common Services Agency, the State Hospital Board and the Scottish Ambulance Service Trust. NHSiS healthcare was provided in a variety of settings ranging from some 360 NHS hospitals, health centres and clinics through GP surgeries to people's homes. The NHSiS employed some 113,000 people and cost in excess of £4 billion a year to run.

15 In order to provide the necessary facilities for patients, and to accommodate its staff and services, the NHSiS requires an estate of land and buildings located in accordance with the needs of the community and the Government's healthcare objectives. The estate is valued at some £3 billion and comprises in excess of four million square metres of buildings situated on over 3,200 hectares of land. It covers a range of property from large open sites in rural areas to high density buildings in city centres.

16 Against this background, we looked at how the NHSiS managed its estate; how well the estate was utilised and how suitable the estate was for its purpose.

17 The Committee of Public Accounts reported on the project in September 1999. They concluded on the management of the Estate, on the utilisation of the Estate, and on the condition of the Estate. Since the Committee published their report, the Scottish Executive have issued further guidance which should assist NHS bodies to improve overall management of the estate. This includes steps to improve information on estate utilisation, on condition surveys, and on action to ensure NHS estate buildings meet statutory health and safety standards.

Reports where the Committee of Public Accounts did not take evidence

18 The Committee of Public Accounts did not take evidence on the following reports:

Sales of Scottish New Towns Commercial and Industrial Properties (Part 6)

19 The report examined the programme of commercial and industrial property disposals that the five former Corporations completed between 1992 and 1996. In this period the disposals raised almost £420 million, and the Corporations satisfied the former Scottish Office Development Department's requirement to dispose of their entire interest in property assets before ceasing operations.

20 Generally the Department and the Corporations planned the disposals to a high standard and the Corporations conducted individual disposals skilfully and in line with previous Committee of Public Accounts' recommendations. The report highlighted four issues for public bodies to take into account in future public asset sales, concerning pre-sale preparation, valuations, written guidance on sales conduct and industrial buildings allowances, which purchasers may be able to claim in relation to particular properties.

21 Since the New Towns ceased operations in 1996 there have been no similar large-scale disposal programmes within the Department's responsibility. In March 1999 the Scottish Office completed and issued revised guidance on the disposal of assets by departments and public bodies in Scotland. The new guidance covered the issues identified by the report, including the need to take advice in cases where purchasers may be able to claim industrial buildings allowances in relation to a particular property, as well as other aspects of good sales practice.

22 We note the further guidance issued to departments and public bodies. Disposals will remain an important feature of activity across the Government Estate in Scotland, and this further advice on best practice should contribute to the effective conduct of sales.

Investigation of Misconduct at Glasgow Caledonian University (Part 7)

23 Glasgow Caledonian University (the University) is one of 18 higher education institutions in Scotland. The University was established on 1 April 1993 from the merger of Glasgow Polytechnic and the Queen's College Glasgow. The University receive, with other Scottish higher education institutions, grant in aid from the Scottish Higher Education Funding Council (the Council) to support teaching and research. The Council will provide £35 million grant in aid to the University in 1999-00.

24 The report set out the results of an investigation by the Council into allegations of serious misconduct within the University, which the National Audit Office and the Council received in 1997.

25 In the two and a half years since then there has been thorough investigation not only of the original allegations but also of separate concerns relating to particular academic matters and wider aspects. The University and the Council have shown rigour in addressing these concerns, and the University have made significant progress in reform within the institution. Consequently the Council concluded earlier this year that their monitoring of the governance management and financial control arrangements in the University could be placed on a more routine basis.

26 Concerning governance standards more widely within higher education institutions in Scotland, the Council have issued guidance on a range of matters which this case highlighted and they have recommended that all institutions in Scotland benchmark their performance against good practice in this guidance and publish the results. It will be important for the Council to take stock as soon as the results of this work are available.

Corporate Governance and Financial Management in the Scottish Further Education Sector (Part 8)

27 Forty-three further education colleges in Scotland provide a wide range of education and training programmes for students from school leaving age upwards. After transfer from local authority control in April 1993, colleges became independent corporate bodies with some two thirds of their funding coming direct from the Scottish Office. In July 1999 the Scottish Further Education Funding Council (the Council) took over responsibility for the funding of colleges, and the role of the Scottish Executive Enterprise and Lifelong Learning Department (the Department) is now to fund the Council and set the policy framework for the sector. Grant in aid for the colleges in 1999-00 is expected to be £321 million.

28 The report set out the results of an examination of corporate governance and financial management procedures within a sample of 12 of the 43 colleges¹. In recent years there has been an increased emphasis on the need for public bodies to conduct themselves with probity and openness, reinforced by the work of the Committee on Standards in Public Life. Sound planning and financial management

¹ In July 1999 we published a further report dealing with further aspects of financial performance within the sector: *Scottish Further Education Colleges: Managing Costs* (HC 493 session 1998-99).

is also essential as colleges have faced the need to expand student numbers while reducing costs. That process resulted in a number of colleges reporting financial deficits from the mid-1990s.

29 The National Audit Office report indicated that colleges had progressed towards but not yet fully achieved best practice in corporate governance. While colleges' planning and financial management procedures were mostly sound they could further strengthen procedures in in both governance and financial management, so that the sector as a whole achieves best practice.

30 Since the report was published there is evidence, particularly from the results of the survey conducted by the Association of Scottish Colleges, that individual colleges have responded positively to the specific areas for further improvement identified. The Department and the newly created Council, have also responded positively, and are now undertaking a management review across the sector.

Conclusion

31 For each of the seven National Audit Office reports published in 1997-98 to 1998-99 the responsible bodies have indicated encouraging and positive responses to the recommendations made by the Committee of Public Accounts and the National Audit Office.

32 These responses have resulted in beneficial changes to systems and procedures by the bodies. In some cases it will be important to follow-up the action taken by responsible bodies in a way which will enable the Scottish Parliament to review the changes in performance.