OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 2 November 2023

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 2 November 2023

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PUBLIC AUDIT COMMITTEE
27th Meeting 2023, 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:

Stephen Boyle (Auditor General for Scotland)
Ashleigh Madjitey (Audit Scotland)
Dharshi Santhakumaran (Audit Scotland)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Public Audit Committee

Thursday 2 November 2023

[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 27th meeting in 2023 of the Public Audit Committee. The first agenda item is for committee members to decide whether to take items 3, 4 and 5 in private. Do members agree to do so?

Members *indicated agreement.*

"Investing in Scotland's infrastructure"

09:00

The Convener: Our main item this morning is agenda item 2, which is consideration of the Auditor General for Scotland's briefing paper, "Investing in Scotland's infrastructure", which was published at the end of September. I am pleased to welcome the Auditor General, Stephen Boyle, who is joined by Ashleigh Madjitey and Dharshi Santhakumaran, from Audit Scotland. Ashleigh is an audit manager and Dharshi is a senior audit manager.

Before we get into the questions, I ask the Auditor General to make a short opening statement.

Stephen Boyle (Auditor General for Scotland): Many thanks, convener—good morning, committee.

Today, I bring to the committee my briefing paper, "Investing in Scotland's infrastructure". Infrastructure is essential for growing the economy and delivering high-quality public services. Using infrastructure effectively will also be key to the Scottish Government's public service reform agenda. The Scottish Government faces a challenging combination of reducing capital budgets, higher costs and increasing maintenance requirements. As a result, it has said that it will no longer be able to deliver all of its planned £26 billion-worth of investment in infrastructure or to meet its ambition of doubling spending on maintenance to the original timescales. It is having to make difficult decisions now about which projects to continue, pause or stop, and it will publish a revised infrastructure investment pipeline alongside the draft budget next month.

Those decisions will have an impact on services, now and in the future. Parts of the public estate, such as Scotland's prisons and hospitals, already need significant investment to enable them to remain fit for the future, and it will be extremely challenging to retrofit public buildings to meet net zero ambitions. The Scottish Government and other public bodies need to understand what they will require from their estate in the future; how their buildings can be used to support the transformation of services that is required; and what opportunities are available for co-location and closer joint working between public bodies. Their approach should consider all public buildings, but effective leadership and better information on condition, cost and occupancy are needed in order for reform to be carried out at the necessary scale and pace.

Finally, the Scottish Government needs to be transparent about the decisions that it makes on how investment in its estate is prioritised to support its public service reform ambitions. That includes reporting on how and why decisions were made and their expected impact on public services.

Ashleigh, Dharshi and I will do our best, as ever, to answer the committee's questions.

The Convener: Thank you very much indeed for that opening statement. We move straight to questions. I invite the deputy convener, Sharon Dowey, to ask the first set of questions.

Sharon Dowey (South Scotland) (Con): Good morning, Auditor General. You report that data limitations of the infrastructure investment plan meant that you have been able to account for how only £14.9 billion of the planned total investment of £26 billion has or will be allocated. Will you tell us more about those data limitations?

Stephen Boyle: I will bring in colleagues to say a bit more about some of the information that we looked at when we compiled the report and what the Scottish Government has set out.

There are one or two factors that I should mention in broadening out the response to your question. The Scottish Government has set out its ambitions in the longer term: it has said that the overarching plan is the narrative around how individual projects will contribute to the achievement of its ambitions on inclusive economic growth, the transition to net zero and sustainable places. As we move through the duration of the infrastructure investment plan, we will have more certainty in the early years, and clarity will have to be provided as we move towards the later stages.

Colleagues can set out for the committee some of the data that is available, and say which data is not available.

I appreciate that the committee, given its role in the scrutiny of major capital projects over a number of years, is familiar with many aspects of major capital investment. We have set out in the briefing paper that there needs to be an increase in transparency and a better connection between individual projects, so that a project can be tracked from the start, and progress on projects and programmes can be compared in the round as they develop. The data has to be clear about what is actually being achieved and how that contributes to the Scottish Government's ambitions.

I turn to Ashleigh Madjitey first, and then I will ask Dharshi Santhakumaran to come in, if she wishes to add anything.

Ashleigh Madjitey (Audit Scotland): The figure of £14.9 billion appears in the appendix to the IIP, whereas the figure of £26 billion appears throughout the text of the plan. The text is more descriptive, so we were not able to pull out from it the exact data on projects and the programmes, whereas the £14.9 billion is set out in the appendix.

As we said in the report, we have struggled to follow projects through the major capital updates. A lot of that has to do with the format of the infrastructure investment plan and the updates. For example, the names of the projects can change over time, and a lot of the information is text based rather than tabular, so it is difficult to track clearly how projects have changed over time and whether costs have gone up or timescales have changed.

Dharshi Santhakumaran (Audit Scotland): The committee will be familiar with the nature of the six-monthly major capital project updates that the Scottish Government provides. What we say is really about consistency in the way in which the Government reports on progress on the projects, because we currently find that to be lacking. Consistency would enable us to clearly map progress and follow where the cost increases and the delays are. We are struggling a bit with the format and consistency of the reporting.

Sharon Dowey: Are we ever going to be able to track the £11.1 billion that is unaccounted for?

Stephen Boyle: You will get a better idea of that before the end of this calendar year, as the Government has committed to. When the committee last took evidence on major capital projects, in June, the Government confirmed in its evidence that because of the financial challenges, which it has been clear about and which we recoded in today's paper, it is having to recast its major capital investment programmes along with the prioritisation of individual projects.

As we set out in the paper, some of the significant projects—we refer in particular to the national treatment centres for the national health service—have been delayed or paused or have had their timescales reframed. We expect that to be the case; however—to answer your question directly—there needs to be clarity in that prioritisation with regard to economic growth ambitions; use of public services; and what will be spent and when.

More detail will follow during 2024 through an updated medium-term financial strategy, but primarily the committee will see the updated infrastructure programme alongside the budget that the Government has committed to. The connections need to be absolutely clear between the scale of funding that is available and the projects, including existing projects and any pipeline or newer projects.

Sharon Dowey: As it stands, are we able to say how much of the £26 billion has been spent, or is it unclear?

Stephen Boyle: In paragraph 9 of the report, the first judgment is that—as Sharon Dowey mentioned—of the £26 billion, details are available for £14.9 billion. As we go further out, there is less precision. There is some degree of reasonableness about that, because if projects are further into the future and their timing is uncertain, the Government will not have as much detail about them as it does about projects that are happening in the here and now.

What really matters now is how the Government plans to bridge some of that gap with its reprioritisation arrangements and the updated pipeline of projects that is due to be published alongside the budget. That will allow the committee, and the wider Parliament, to have a perspective on what money is available for infrastructure projects and how those projects will sit alongside the ambitions that the Government has set out in relation to the impact that infrastructure should have on the transition to net zero, sustainable places and driving the economy.

Sharon Dowey: Who is accountable for making sure that the budgets are followed and that they track everything? You commented that you couldnae see the connection between projects, that you cannot track them and that you struggle to follow projects through because, for example, they change their name. Who would be accountable for that?

Stephen Boyle: I highlight for the committee's attention exhibit 2 in the paper, in which we look to set out the governance arrangements for the Scottish Government's infrastructure arrangements and associated accountabilities. Ultimately, ministers will determine which projects are prioritised and will present that information to Parliament for its consideration of the budget.

In relation to accountable officer arrangements, a number of factors are worth pausing on. At paragraph 11, we note that accountable officers in individual public bodies are accountable for the delivery of individual projects. I know that the committee has taken evidence from accountable officers in relation to projects on many occasions.

At a Scottish Government level, the director general of the Scottish exchequer is tasked with overseeing infrastructure investment. Alongside that are a couple of parallel governance arrangements. There is an infrastructure investment board that oversees the totality of the programme, and there is a Scottish Government executive team—with which I appreciate that the committee will be familiar—that operates in what it refers to as different modes, depending on the agenda. It also takes the opportunity to operate in investment mode, as it would refer to it.

Accountabilities are clear at a local level for individual projects, and there is also a range of arrangements at a Scottish Government level. However, most fundamentally of all, ministers will determine which projects are prioritised, and will share that information with Parliament.

Sharon Dowey: On the point about a lack of transparency, is it a political choice—the minister's choice—not to share that information with us, or is it because the accountable officers havenae got a hold of their accounts?

Stephen Boyle: There will be a combination of those factors in relation to lack of transparency. From what we have seen—the committee might share this experience—relatively simple things could be done to address that. As Ashleigh Madjitey mentioned in relation to the naming of projects, there could be consistency of reporting on individual projects from one timescale to the next. There could also be stronger indications of prioritisation.

It feels like those points are capable of being addressed. One of the judgments that we make in the briefing paper is that with the prioritisation and the clarity that Government has provided that there is not the capital funding available to the extent that previously existed, together with the rising costs, transparency becomes ever more important to manage both Parliament's and the public's expectations about what can be achieved by the Scottish Government and its partners.

Sharon Dowey: Your briefing appears to suggest that the Scottish Government did not fully implement the Infrastructure Commission for Scotland's recommendation to publish a framework for prioritising projects in its most recent infrastructure investment plan. Do you know why that was?

Stephen Boyle: Again, I will ask colleagues to come in and set out in a bit more detail for the committee the nature of existing recommendations and reviews in totality. In the annex to the paper, we look to set out some of the wider structure around reviews, papers, recommendations and so forth.

I will bring colleagues in on the specifics of why the Government did not implement those recommendations but, again, our paper tells part of the story. There will perhaps be an opportunity for Government, should the committee wish to take evidence from it, to more clearly set out its own assessment of its adoption of recommendations or otherwise.

Dharshi Santhakumaran: I do not know that we know the detail of why the Government has not yet implemented those recommendations, but it is in the process of developing a framework, which it is planning to publish alongside the revised project pipeline in December. Ashleigh Madjitey will know more.

09:15

Ashleigh Madjitey: The Government has gone through a prioritisation exercise and it will publish a revised project pipeline in December. Alongside that, it is also working on a wider needs assessment by looking at different scenarios of what Scotland will need in the future and how infrastructure might meet that. It is working with the Scottish Futures Trust to deliver that for the next infrastructure investment plan, which is for 2026-27, I think.

Sharon Dowey: That is fine. In paragraph 11 and 12, you set out the Scottish Government's oversight arrangements for infrastructure investment and estate management for the administrative buildings of the Scottish Government and its public bodies. However, no similar oversight arrangements are in place for operational buildings. Should that be reviewed by the Scottish Government?

Stephen Boyle: Yes, we think that it should be. Administrative buildings are only one component in the operation of Scotland's public services. For absolute clarity, what that means is that it excludes operational buildings such as college buildings and the NHS estate. In order to make best use of the totality of the estate, which will change, the Scottish estate needs to be considered in the round. There is no question that the adoption of a single Scottish estate for administrative buildings is a good first step, but it needs to go further to broaden out and look at how all Scotland's public buildings are being used to best effect.

The use of those buildings is changing. Many of them will have existed for more than 50 years; what they were intended for originally might have been well and good, but if that is no longer how public services are being delivered, the land and buildings should be assessed to see whether they are being used effectively, and plans should be made for their future. We think that the oversight arrangements need to be broader than just for administrative buildings.

Sharon Dowey: That is fine. I think that my colleagues will have more questions on that.

My final question is about the infrastructure investment board, which I note plays an important role in providing strategic direction, prioritisation and oversight of infrastructure activity. The executive team is also responsible for reviewing and providing challenge to high-profile or high-value investments. Can you tell us more about how those oversight arrangements work in practice, including how the executive team regularly reviews and challenges high-profile or high-value investments?

Stephen Boyle: I am not sure that we have that level of detail with us today. The Scottish Government executive team is led by the permanent secretary and supported by the directors general of the Scottish Government. As I alluded to a few moments ago, the executive team operates under different guises, with a delivery mode, a performance mode and an assurance mode, as I recall, alongside an investment mode. All of that is fine in terms of how they focus their time on a particular occasion. Beyond that, we might need to check our records, or the Scottish Government might be able to share more detail with the committee about some of the specifics of how that operates in practice, together with the nature of the material that is shared with it.

Ashleigh Madjitey can give you a bit more detail.

Ashleigh Madjitey: The infrastructure investment board is more strategic. It looks at projects and the programme as a whole, and considers, for example, the prioritisation exercise and the big risks that are coming through for the whole of the pipeline, but it does not look at individual projects or programmes. It supports the portfolio teams in delivering them.

Stephen Boyle: I am grateful to Ashleigh for that additional detail on the two boards. As I recall, membership of the infrastructure investment board includes non-executive directors of the Scottish Government. That feels appropriate, as it draws on the expertise that the Scottish Government has brought on to its corporate board and the Scottish Government audit and assurance committee. Non-executives with relevant backgrounds will also join the infrastructure investment board to support the scrutiny, support and challenge functions that you would expect from non-executive directors.

The Convener: Before we move on, I want to pick up on the theme of transparency that you mentioned in your opening remarks. Paragraph 9 of the briefing paper, which is where the deputy convener started her questioning, states:

> "Details are available for only £14.9 billion of the £26 billion of infrastructure investment originally announced."

In the same paragraph, we find expressions such as

> "it is not possible to compare ... makes it difficult to compare"

and

> "It does not assess".

That is a series of criticisms of the transparency of the available data. Have you had any initial response to that from the Scottish Government?

Stephen Boyle: As you would expect, convener, we share our draft reports with the Scottish Government and any other relevant public bodies for clearance. It is a factually accurate statement of our position on the matter. As for a public response, we have neither heard anything further nor had any position yet from the Government.

It is worth adding—and Dharshi Santhakumaran might want to say a bit more about this—that what comes next on the back of the update on prioritisation, which the Parliament will see, will be important. We hope to see a step change that addresses the points that we make in paragraph 9 and the detail of the bullet points that accompany it on reporting to the Parliament. We have an interest in that, too.

Like the committee, we have quite a long reporting tail, but it feels as though reporting is ever more important now, given the fiscal challenges facing the delivery of the capital programme, with the significant maintenance requirements and rising costs woven in, too. It is important that everybody is absolutely clear about what is intended and what can be delivered with the reducing capital budget that is available. We hope that those points will be taken on board and addressed, and as the committee will see from the briefing paper, we do make recommendations to that effect.

The Convener: We will return to some of those themes over the next 45 minutes to an hour. I will now bring in Willie Coffey, who has some questions to put to you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, Auditor General and colleagues. You mentioned that the driver behind all this is the significant cuts to the capital budget that are coming to the Scottish Government from the UK Government. I know that exhibit 3 gives us some information on that, but I want to ask you for the figures behind that. For example, you have talked about a 7 per cent cut, and in paragraph 15, you talk about

"an 11 per cent gap"

next year and a further "16 per cent gap" the following year. Are you able to quantify the value of those percentage figures to the budget?

Stephen Boyle: First—and to add a bit of emphasis, if I may—I point out that the percentage figures that you have quoted are significant reductions in the funding that the Scottish Government expected to have available when it last recast its capital programme ambitions. I will give the three numbers again, at the risk of repeating them: there is expected to be a 7 per cent real-terms reduction in the capital budget, and in financial year 2024-25, the Scottish Government expects to have 11 per cent less capital budget than was originally anticipated, increasing to 16 per cent in the following financial year—that is, 2025-26.

Another relevant factor worth highlighting to the committee that also influences the budget is the availability of a financial transactions budget. That was another source of funding that the Government made available to private sector enterprises—or to individuals—for delivering capital programmes; indeed, some of that would have been used for part of the delivery of housing programme ambitions. That, too, is expected to come to an end in the next year or so, so there is real downward pressure on the Government's capital programme budget.

As for the totality of what that means, Mr Coffey, I am not sure that we have an up-to-date number for the new budget yet. We are likely to see that with the updated information that will come to the Parliament before the end of the year.

Willie Coffey: So there are no quantifiable figures for what the 11 per cent and the 16 per cent will look like in terms of pound notes or hard cash.

Ashleigh Madjitey: The overall capital budget is about £6 billion, and you can see in exhibit 3 how that is less than was expected. That was set out in the Scottish Government's medium-term financial strategy, which was published in May. As the Auditor General has said, we are expecting updated figures in the next budget.

Willie Coffey: Okay. We will have to come back to that issue, because it is really important that we understand what that means in terms of hard cash for all the projects that members and the public will be interested in.

The briefing paper also says that the Government has been unable to budget for financial transactions after 2024-25. What is the reason behind that? Is it just because of the uncertainty of the allocation?

Stephen Boyle: It is more to do with the certainty that such transactions will not be available, Mr Coffey. That is the updated information that the Scottish Government has to inform its budget. As I have alluded to, financial transactions have been a source of funding for a while now; part of the condition for getting them is that they go beyond the boundary of public sector bodies—I mentioned that they are partly provided in loans to, for example, individuals, private enterprises or housing associations as a means of furthering Government policy intent—whereas typically those things would be lumped together in the overall capital provision. The Scottish Government's understanding is that those transactions will no longer be available to deliver the same ambitions in the capital programme. Whether the programme be delivered from the core capital budget or from financial transactions—or, indeed, from revenue financed capital programmes, which the committee might wish to explore further—the fact is that the financial transactions element is not going to be available, and that is a further reason for prioritisation and for recasting the budget to deliver programmes in future.

Willie Coffey: Thanks for that.

With regard to the challenges that we face, is extending and pushing out the timescale for delivery actually assisting in helping deliver projects? Is using the same money over a longer term helpful or is it something that we should be concerned about?

Stephen Boyle: I think that it can be both. There has to be some realism about the delivery of capital projects. The committee knows only too well of large capital projects not being delivered either on time or with effective budgets, and we have to be clear and transparent in setting out the delivery of large-scale capital projects.

The other thing is that there has to be some margin of error, because it is nigh on impossible to pin the delivery of capital projects down to a particular day or month. There are so many variables that can influence the delivery of a large complex project spanning many years.

However, as for any expected delays—and this is putting it in really base terms—I would say that if less money is going to be available than had been anticipated, that will mean either fewer projects, projects being programmed with a longer delivery time or, more likely, projects being phased differently than had been originally intended. We know that the Government is doing that prioritisation work at the moment.

Willie Coffey: Finally, you mentioned three other important factors driving up construction costs, which have already resulted in increased costs for eight out of the 45 projects that you have mentioned, a significant number of delays and so on. For the record, can you explain to the committee what those three factors are?

09:30

Stephen Boyle: Of course. I will do so by highlighting a couple of exhibits in our briefing paper.

Exhibit 4 refers to increased construction costs and some of the factors behind them. As we have seen, inflation is higher than we would have recognised it to have been historically over the past 15 to 20 years. Supply-chain challenges, some of which are attributable to the war in Ukraine, and the resultant shortages of materials and services to support infrastructure projects, are also relevant to the delivery of capital projects. Rising building standards and net zero obligations affecting the delivery of projects both for public bodies and elsewhere, as well as labour shortages, are relevant factors, too.

As for what influence those factors have had to date, you rightly mentioned the 45 projects, and in exhibit 5, we set out a number of examples of the implications of budget challenges for projects that were identified in the infrastructure investment plan and which have been affected by costs or delays. As we have reported, 13 of the 45 projects have been delayed and three have been paused, and the progress report shows a cost increase of £55 million from the end of December 2022 to June 2023.

I am happy to go into the specifics of those projects if you wish me to, Mr Coffey, but what we are seeing is a real challenge across the piece from the budget arrangements and from external factors such as inflation and supply and availability of materials, all of which are driving the real prioritisation that the Government is now committed to.

Willie Coffey: Do you get the sense that the remaining projects are, in fact, deliverable, or are there some really difficult decisions ahead of us?

Stephen Boyle: There is no question in my mind but that difficult decisions will have to be made. I am sure that the committee will want to discuss this further, but, in relation to some of the challenges, I would remind members that none of the projects exists in isolation. They exist for a purpose: to support the Government's ambitions.

The national treatment centres provide a very clear example of some of the difficulties. The committee knows this full well, but the NTCs were part of the Government's core response to dealing with the aftermath of Covid through the provision of healthcare and tackling waiting lists. As we have set out in exhibit 6, six of the 11 NTCs are facing delays, which will clearly have difficult implications for everybody who is relying on them for the delivery of healthcare. This is no doubt a particularly challenging period.

The Convener: On the point that, of the

"45 projects, the costs of eight had increased, 13 had been delayed and a further three had been paused",

that means, does it not, that fewer than half are on track in terms of cost and timescale?

We hear what you said about it not being possible to be too precise about cost and delivery dates. However, I presume that people build in a degree of flexibility, with an indicative date of completion for an infrastructure project. You might make allowances for snagging and so on as part of the process. We are talking about a substantial number of infrastructure projects that have problems associated with them.

Stephen Boyle: Yes, that is correct. I am happy to clarify my comments.

Although we cannot be precise, all projects of this nature will build in contingency of some degree to allow for unforeseen factors. Those numbers indeed illustrate the scale of the challenge in the delivery of large capital projects, because of the various factors that we set out in our paper.

Ashleigh Madjitey: Many of the projects that are delayed are waiting for business case approval. Much of that is tied up with the prioritisation exercise, as the Government considers where its priorities are. It is not approving the business cases until it has gone through that exercise. That is causing some of the delays that we are reporting.

The Convener: So those are not projects with work under way on the ground or on which construction has commenced. They are in a pipeline, and that will include sign-off of the business case.

Ashleigh Madjitey: It is a mix. That is taken from the major capital projects update that you saw in June. Some of the projects are on the ground and some of them are awaiting business case approval.

The Convener: Okay. Thanks. That is helpful. Does Graham Simpson want to come in on that point?

Graham Simpson (Central Scotland) (Con): Yes, convener. I want to follow up that line of questioning.

With regard to exhibits 4 and 5 in the report, you say that 13 projects have been delayed. Do we have a list of them?

Ashleigh Madjitey: I do. It is taken from the major capital projects update. As I have said, we have exercised a bit of judgment as to whether the project is delayed or is waiting for a business case, but I do have the list and I could perhaps share it.

Graham Simpson: You could do that afterwards. I am not asking you to read out all 13—that might take some time.

I note that one of the projects mentioned in exhibit 5 is the dualling of the A9. In the other three projects highlighted as examples in that exhibit, you have given figures for cost increases, but I note that you have not done the same for the A9. Is it possible to produce a figure for how much costs have increased over time from when the project was first announced?

Stephen Boyle: I am not sure that it is possible for us to give that figure; I think that it will be for the Government, as part of its recasting and reprioritisation, to set out how the costs and timescales have, for various reasons, changed for that project and other projects.

If anything, that emphasises our point about the need for more transparency to allow this committee and others to track projects over the lifetime of the delivery phase and to make it really clear what is being achieved and what is being spent alongside that. However, I do not think that we have the most up-to-date figures for the costs and timescales for the A9.

Graham Simpson: But in the exhibit, you give a figure of £3 billion.

Stephen Boyle: Yes, and as we noted, that is an estimate. I am not sure that we can give you an assurance that that is the most up-to-date number for the delivery of that project.

Graham Simpson: But what is that an estimate of?

Stephen Boyle: It is an estimate of the cost of delivering the project. There is probably not terribly much more that we can signal, given that we draw that information from publicly available sources. Because the delivery of that project is of real public interest, as are others, I think that the Government would be best placed to provide what its forecast would be.

Graham Simpson: Do you know what the original figure was?

Ashleigh Madjitey: The £3 billion is the original figure—the 2011 estimate.

Graham Simpson: Okay. So we can expect the figure to be far more than that.

Ashleigh Madjitey: Yes. In the last major capital projects update, the Government gave some more information on the Tomatin to Moy section, but that did not include any costs either. It is preparing for a new procurement for that section, so perhaps the cost of that will be indicative of that of the whole length.

Graham Simpson: The Government has said that it is committed to doing the full road, although it is fair to say that it has dithered over that, and that dithering has, in my view, led to the increase in costs. When it makes the announcement, as we expect, in December, we can expect that £3 billion cost to have soared. It is fair to say that, is it not?

Stephen Boyle: We would rather wait and see the detail of the announcement before we make any comment on it.

For completeness, convener, I should point out that we have not audited the delivery of the A9 project. This is more of a high-level briefing that looks to point out, in the round, the challenges that the Government will face in delivering on its wider capital ambitions, given that the availability of funding is not what was originally intended. However, we recognise the genuine and real public interest in the delivery of such a significant project as the dualling of the A9, so we will await the announcement and then consider what it means, if anything, for any future work that we undertake.

Graham Simpson: Given what you have said, if the project goes ahead at an increased cost, is that likely to impact on other projects?

Stephen Boyle: It is fair to say that the Government will have to make some difficult choices as it prioritises the delivery of a range of capital projects to meet a number of its priorities.

We said in our paper that how individual projects contribute to the delivery of policy intent could be made clearer. I highlight the evidence that the committee took on net zero following the publication of our climate change paper before the summer recess, in which we noted that it was not clear how capital net zero-related projects were contributing to reductions in carbon emissions and that there was less emphasis on adaptation work.

It is clear that prioritisation will require difficult choices to be made about the timescale, cost and delivery of individual projects.

Graham Simpson: I have no more questions on that particular section.

The Convener: That is fine. I will bring you back in shortly.

Let us move on. You have mentioned the issues around revenue-financed projects a couple of times. Colin Beattie has some questions to put to you on that.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I am looking primarily at paragraphs 17, 18 and 19 of the briefing paper. Paragraph 19 states:

> “There have been no new private-financed projects since 2018 and the Scottish Government has no immediate plans to fund infrastructure in this way.”

However, as has been mentioned, the capital budget has been cut, and I believe that it is anticipated that it might be cut again this year. That will put a lot of pressure on the Government in relation to how it delivers projects.

Private finance is obviously more expensive, especially at the moment. Despite the greater cost of private finance, the briefing paper states that the Scottish Government

> “cannot rule out using alternative financing arrangements to deliver investment beyond its capital budget.”

Does that give you any cause for concern?

Stephen Boyle: You are right in your quoting of the paper. I again highlight to the committee the evidence that it took from the Scottish Government on major capital projects at its meeting in June. The director of budget and public spending noted that the Government was considering revenue-financed capital projects as part of its wider suite of funding arrangements.

We noted in the paper that the Government’s position had broadly been that revenue-financed capital projects were unlikely to deliver value for money. As you alluded to, the prevailing interest rates at the moment are higher than would have been the case when private finance initiative-based projects were introduced 20-plus years ago. With that in mind, the Government’s position that revenue-based projects are not likely to deliver value for money is largely consistent with that.

When it comes to the responsibilities around value for money, the committee will be familiar with the fact that, ultimately, it will be for the accountable officer to take a view on whether different funding mechanisms provide value for money. We also have a role in that assessment.

Looking at the scale of challenge to the capital budget that exists, all those factors have to be weighed up. We are noting it as a potential route at the moment, but the Government has been transparent about the fact that revenue-based models are likely to cost more in the longer term, and that that comes with an opportunity cost for other decisions that it might wish to make.

Colin Beattie: Other than that general comment, there is no indication that the Government is going to go down that road.

Stephen Boyle: In the evidence that the committee took in June, the director of budget and public spending made it clear that, because of the scale of challenge that the Government was facing—I am paraphrasing, but this is my interpretation of the evidence—it felt necessary for the Government to broaden its reach and to look at all potential sources of funding. Like the committee, I wait to see what the prioritisation exercise produces and what that means for sources of funding. Only when we are clear about the Government’s next steps for the delivery of its programme will we be able to take a view on what that might mean in value-for-money terms. I am very clear that that will be part of the

Government's thinking. As I mentioned, it has already stated that making a strong value-for-money case would be much harder using revenue-based models as opposed to a core capital budget and that it would be less likely to do that.

09:45

Colin Beattie: Paragraphs 30 to 32 of the briefing paper talk about the number of private finance contracts in Scotland. The paper says that there are 130 with a capital value of £9 billion. You have also highlighted the point that 22 PFI contracts with a value of £900 million will end by 2030. There is quite a difference in the PFI contracts and what happens at the end of them, such as whether there is a purchase agreement.

Some of those 130 contracts will still have a life of 20 years or so in them and others will have rather less. They are individual contracts, but what is behind them? For example, a school might be built with a PFI contract, but my understanding is that there was a degree of bundling at some points. Are any of those 130 contracts bundled contracts that would have greater value and therefore greater risk when they come to maturity?

Stephen Boyle: Yes, you are largely right. There was some bundling, to borrow your expression, primarily in respect of school contracts—the delivery of school replacement projects.

There is a publicly available list of which projects are operating to timescale and value. Our analysis of the projects that are due to expire by the end of the decade includes some of those grouped projects—for example, different local authority schools programmes.

The purpose of our mentioning that in our briefing paper is that it is another important factor for public bodies to consider as part of their estates planning arrangements. You rightly say that the contracts are not all the same. Some will involve outlay—a final payment—from public bodies to secure the use of the asset. Then the public body needs to factor into its asset management and estates plans how it plans to maintain and use the asset. In 25 years, things change, so the occupancy or use of the asset might no longer be as originally intended.

For completeness, I point out that, as we noted in the paper, public bodies are being supported in the matter by the Scottish Futures Trust, which provides advice and guidance to them about how to plan for and anticipate the reintroduction of the PFI assets into their estates.

Colin Beattie: Do we have any risk analysis of those individual projects? The financial risk involved at the end of the project will be different for all of them.

Stephen Boyle: That will be a matter for the public bodies. That is absolutely clear. The public bodies are managing the relationship. I do not want to present that as an impending problem. Public bodies are using the assets. They have relationships with, for example, private companies or service providers that run the assets. A public body will know when an asset's PFI contract ends, but it will need to identify and plan for whether there is a final payment and what that means for the future provision of the asset.

We have not categorised the projects in terms of risk, Mr Beattie. Information is available for the individual public body to manage and plan for the next stage of the use of the asset.

Colin Beattie: You said that the Scottish Futures Trust is helping those public bodies—local authorities or whatever—to manage the transition at the end of the contracts. You also said that 22 PFI contracts are coming up. Have you identified any particular years in which a larger number of those contracts might be coming up? Obviously, that will lead to greater risk. Indeed, is there any particular part or area of Scotland that is particularly at risk?

Stephen Boyle: According to the analysis in front of me, the two years with the largest number of such contracts will be 2026 and 2027. Those are the years in which the majority of the assets that expire before the end of this decade will return to public ownership. I am very happy to share that information in detail with the committee. It sets out the project name, the public body that will procure the asset and the project's capital value. There are a few other such assets towards the end of the decade, but 2026 and 2027 will be the most significant years for getting this right.

The Convener: I know that Willie Coffey also wants to come in on this point. I note that the briefing paper talks about the Scottish Futures Trust's role in advising the Government in advance of difficult decisions on the prioritisation of projects. Its advice, therefore, is not just on the contractual terms that might be negotiated around a PFI, public-private partnership or whatever arrangement coming to an end; it also offers the Government an advisory role in establishing what is called in paragraph 10 of the briefing "a prioritisation framework". Can you elaborate on that? We have talked about prioritisation being necessary, funding being challenging and difficult decisions having to be made, but do we know how the Government will make those decisions? Have we seen that framework, for example?

Stephen Boyle: We have not yet seen the prioritisation framework, and we are not clear about what criteria it will use. As we have set out in our paper, that is what needs to be the case, and it needs to be linked clearly to how the Government will deliver its policy ambitions. Going back to the net zero example that I have already mentioned, I should say that it has not always been clear how a particular infrastructure investment project relates to the delivery of net zero ambitions. That has to be clearer across the piece.

I appreciate that the committee has taken evidence from the Scottish Futures Trust on a number of occasions about its roles and responsibilities, but to me, it feels appropriate that the Government is using the expertise at its disposal in the SFT on the prioritisation framework as it relates to the different investment models that it might need to consider. Looking in particular at the scale of existing budgetary challenges, I think that it is fair for the Government to consider a range of alternatives. Such alternatives might relate to the capital or revenue budget; it is not necessarily pinning its approach on one particular model but using a complete suite of information before deciding on which route best represents value for money.

When it comes to the re-absorption of those assets into public ownership, the fact is that the SFT will be familiar with contracts. Actually, it feels like an end-to-end process for the SFT, from its involvement in the embryonic stage of projects through to the provision of advice and then rounding all of that off by supporting public bodies in getting good value when the assets are brought back in.

Beyond that, I am not sure that we have much more to share with the committee about how the SFT is interacting with Government on those projects, only to say that it might be well placed to do so. Ashleigh Madjitey might want to say a little bit more about this.

Ashleigh Madjitey: The SFT has a small team working on expiring PFI contracts. One of the team is based in NHS Scotland assure, and it is working with the NHS contracts on that. The trust has also set out guidance and done some work on the condition of assets before they come back, recommending that bodies consider the asset's condition very early in the process to ensure that there are no surprises when the contract ends.

The Convener: Can you clarify that, in all cases, the consideration is absorption into the public sector, and that the Scottish Futures Trust is not advising the Government on other options such as extending the PFI deal or bringing in a different contractor. I realise that a lot of the contracts were build as well as operate, but I wonder whether that is also a consideration.

Stephen Boyle: The SFT and the Government are best placed to talk through the specifics of individual contracts. I say that because the contracts were so varied on whether the asset returned automatically to the public body at the end of the contract, whether there was a payment or—it is worth clarifying this, but I do not have the information to hand—whether absorption would be automatic. That will be true in most cases, but I would not like to be absolutely complete on the point of whether other options were available to the public body, given the wide range of contracts that were used.

The Convener: That is very helpful. You are raising questions that we probably need to put directly to the Government. I have a quick question before I bring Willie Coffey then Graham Simpson back in. You have mentioned a couple of times the national treatment centres and the role that it was hoped they would fulfil. However, it is recorded in the report that the cost of the programme has more than doubled, while the delivery of the programme is at least three years late and counting. Does that suggest that the national treatment centre programme will be, or needs to be, scaled back?

Stephen Boyle: Our paper highlights the extent of the delays, the rising costs and that business cases await approval. The original ambitions for the operational nature of the national treatment centres and the resultant intended impact that it would have on the throughput of cases to tackle the Covid-related waiting list backlog will not be met as originally intended. The Government is looking at what that means for prioritisation, as it considers its capital budget and what it can achieve. It is considering whether the programme is part of its policy objectives for the provision of health services and weighing that up against other factors. We wait to see where that goes.

To emphasise the point that I have discussed with the committee on a number of occasions, it is worth mentioning that difficult choices will have to be made. We have tended to see in the Scottish budget so far that health spending has been more protected than other areas of public service. I am sure that that will be weighed up as part of the on-going prioritisation.

The Convener: That is a very fair point. Willie Coffey wants to come in on revenue-financed projects.

Willie Coffey: Auditor General, you mention the prison estate on page 19 of your report. One of your items is HMP Kilmarnock, which is affectionately known as Bowhouse to my constituents. The contract is up next year; I think that the 25 years will be up next year. I have a wee correction—it is not returning to the public sector; it is going to the public sector.

Are the comments in your report about the transition from the private sector to the public sector, or are you concerned about future capital investment? I have not seen any mention of the capital element, which the report is really all about.

Stephen Boyle: I am happy to note your point, Mr Coffey. HMP Kilmarnock is the first PFI prison that will either return to or join the public sector estate formally. That will happen in 2024, and it is not only the building but the workforce and the facilities management services. Just to elaborate slightly, many PFI contracts had a staff and employee component, and many support services were provided by people who worked for the private company. There is an important factor to consider there more widely, beyond the buildings themselves, involving people, terms and conditions and public service work—or otherwise.

10:00

As we set out in our paper, the Scottish Prison Service is working closely with the Government in anticipation of the arrangements that need to be in place for HMP Kilmarnock. We are following that up closely as part of our annual audit of the Scottish Prison Service.

Just to broaden the point about prisons, as set out on page 19, we know from the case study that the prison estate in Scotland is facing some very real challenges. We are drawing on the work of His Majesty's chief inspector of prisons, who highlights in her reporting that there are significant health and safety and human rights concerns in some of Scotland's prisons, which will require significant capital investment to resolve.

Turning to one of the next steps, the chief inspector has raised a particular concern about the fact that the replacement for HMP Barlinnie has not yet had business case approval from the Scottish Government. As we have discussed, the longer the delays, the greater the risk that costs will increase. That relates to the supply chain, labour and the capital prioritisation that will be required.

Willie Coffey: The risks that you have mentioned surely do not apply to Kilmarnock in the same way that they would apply to Barlinnie.

Stephen Boyle: You are quite right: there is a clear distinction between the Victorian prisons that Scotland is still using and HMP Kilmarnock, which is the newest part of the estate, and which will come under public ownership in very short order.

The Convener: I presume that Addiewell is newer than Kilmarnock.

Stephen Boyle: Yes. I am happy to accept that correction.

The Convener: Thanks. I now invite Graham Simpson to put some more questions to you.

Graham Simpson: You have just mentioned Barlinnie, Auditor General, and the lack of a business case for a replacement. Why has that not been produced yet?

Stephen Boyle: Colleagues might have an additional position on this. It is not that the business case has not been produced; it is awaiting approval, rather than production.

Graham Simpson: So, there is a business case, but it has not been approved.

Dharshi Santhakumaran: I think it is due to be considered by ministers this month. That is my understanding.

Graham Simpson: When was the business case produced?

Dharshi Santhakumaran: I do not think that we have the detail on when it was prepared. It is fair to say that the Prison Service is facing considerable challenges with its capital budget, and estimated costs for Barlinnie have increased since the original estimate in 2014. That will probably be part of the reason why there have been delays to the approval of the business case.

Graham Simpson: Do you know what the increase in cost is?

Dharshi Santhakumaran: I think the estimate is that it has gone from £100 million to £400 million.

Graham Simpson: Oh, blimey. Gee whiz—that is extraordinary. I was not expecting that.

I will move on to another line of questioning, after that bombshell. I want to ask you about net zero, which you mentioned earlier, and you mention it in report, of course. I ask you to look at paragraph 9 in your report and I will read out the final bullet point in that paragraph:

> "The June 2023 progress report describes how some projects are considering their impact on climate change. It does not assess the overall impact projects will have on net zero targets."

Can you explain the difference?

Stephen Boyle: That is consistent with the report that we produced earlier this year, which said as much. The Government's capital programme was not clear enough about the intended impact on carbon emission reductions.

In the evidence that the committee took, the director general was pretty clear that it needed to improve upon that and has committed to taking those steps. It is really about consistency and transparency, not just on net zero but on how all capital projects contribute to the Government's policy ambitions. That is something that we set out in today's paper and would expect to see as part of the updated programme that is produced for consideration alongside the budget.

Graham Simpson: You are right that we have explored this before. It is reasonable to say that the Government seems to be struggling to say how projects affect net zero.

Stephen Boyle: It is absolutely the case that, until now, the intended benefits of capital projects that relate to net zero ambitions have not been clear enough.

Graham Simpson: How should the Government address that?

Stephen Boyle: It is for the Government to decide how it wishes to set that out, but perhaps drawing on some of the wider points in that paragraph, there needs to be consistency in projects from end to end, in terms of both cost and timescales, and what contribution those projects will make to net zero ambitions. Of course, it will be for the Government to address the specifics of that, but in a complex policy area such as this, the impact of such projects needs to be explained quite clearly to the public. The specifics of it can be for the Government to decide, but we are calling for transparency around that.

Graham Simpson: You are basically saying that the Government should decide and it is up to the Government how it decides it.

Stephen Boyle: That is consistent with our role. It is not for us to get into policy or procedural matters. Nonetheless, until now we have not seen clarity about the impact that individual projects will have on net zero.

Graham Simpson: Is the struggle that the Government is having holding up any projects?

Stephen Boyle: I am not sure that we have made that connection. The bigger impact on the delivery of individual capital projects is the provision of funding. As we set out in our paper, there is not the money that was intended to deliver the totality of the programme, hence the current prioritisation exercise. Inevitably, there will be a range of factors, on top of funding, for why a project has not progressed to the anticipated timescale, including ground conditions, planning consents and public interest matters, which is an important factor in the HMP Barlinnie replacement. All of those factors will influence the delivery of a programme. What we are saying is that, in its communication with the Parliament, the Government could be clearer about the various factors that cause delays.

Graham Simpson: Moving on, I want to talk about the condition of the public sector estate. Your briefing repeats a call that you and this committee have made consistently for a consolidated account to be produced covering the devolved public sector in Scotland. What stage is the Scottish Government at in responding to that recommendation?

Stephen Boyle: I will be able to report on that before the end of the calendar year, when I publish my latest section 22 report on the Scottish Government's consolidated accounts. We will set out in that report the progress that the Government has made to fulfil the commitment that it made seven years ago to produce a consolidated account for Scotland. If the committee agrees, I am content to await the briefing that I will give you on that paper before I say anything more.

Graham Simpson: Why have we waited seven years? Has the Government provided a reason for that?

Stephen Boyle: The committee has taken evidence many times on the reasons for the lack of progress. You have also heard many commitments to produce the consolidated account. I will perhaps not go into all of the various factors, Mr Simpson.

There have been issues related to identifying capacity constraints, with prioritisation and because of interruptions that were caused by the pandemic, in particular. The most recent evidence that the committee took on it cited that challenges that the UK Government was having with producing the whole-Government accounts, including delays and software issues.

A range of reasons have been given for the delay. As we said in today's paper—and I will say more when we speak on the section 22 report and consolidated accounts—this is a very important publication that will set out what Scotland owes and what it owns, which is most relevant for today's paper. That will help the Government to make some choices about the use and value of the estate in future.

Graham Simpson: You are absolutely right. Sharon Dowey asked an interesting question—well, she asked lots of interesting questions—about the condition of the public sector estate. She said that the single Scottish estate programme survey is limited to only administrative buildings and not other buildings. What is the rationale behind that?

Stephen Boyle: The Government is probably better placed to explain the rationale for that, but Dharshi Santhakumaran might want to say a bit more about the thought process that the Government has gone through.

It is important to be balanced in my thoughts on that, and a single Scottish estate for administrative buildings is important. That is a welcome development. The use of administrative buildings is changing; working patterns are changing, as is where people work, and the adoption of digital technologies means that the office as we would have recognised it before is no longer the dominant place where people will provide administrative services. That means that there is likely to be an overcapacity, and the Government is working through that with public bodies.

We want the survey to go further to factor in operational buildings and to make best use of the estate. There should be more sharing of services between public bodies and more sharing of sites, so that we can maximise the benefits that we get from public spending and assets.

Dharshi Santhakumaran: At the moment, the single Scottish estate programme is focused on bodies that come under the Scottish public finance manual, so that excludes NHS buildings and colleges, for example. It primarily looks at the operational estate of core Scottish Government buildings and the buildings of Scottish Government public bodies. It is hoped that it will extend into other bodies, such as colleges and NHS buildings, but its role would be more advisory rather than it having the ability to mandate changes in the wider estate, because of the Scottish public finance manual's terms.

As Stephen Boyle said, it is a very important first step to look at the administrative estate, particularly given the impact of the pandemic on the ways that people work and what that means for the totality of the office buildings in the public sector and how they are used. Along with the Scottish Futures Trust, the programme will work to support public bodies to explore options for co-location and for sharing services to make the public sector estate more efficient and effective.

As we said in the briefing, we would like there to be consideration of the totality of the estate because, without having an overall picture of the condition of operational buildings such as hospitals and colleges, it is difficult for the Scottish Government to factor that in when it thinks about new infrastructure projects. It also needs to understand the state of the infrastructure that exists and what the requirements are to maintain that estate and make it fit for purpose not just for now, but for the future. A really important part of the Scottish Government's public sector reform ambitions is to use the estate more effectively to deliver services, and it cannot do that without an overall picture.

10:15

Graham Simpson: When you talk about the public sector estate, are you talking only about Scottish Government buildings or do you include things such as councils, because they are a large part of the public sector?

Dharshi Santhakumaran: We have not looked at councils as part of that work, but we would like the Scottish Government to take a broader view in terms of collecting that data and understanding the wider estate.

Stephen Boyle: I agree. As Dharshi Santhakumaran has set out, the work to date covers administrative buildings. We think that it should go further, into operational buildings. However, it is perhaps a bit artificial just to say that we cannot look at certain sectors. Public services exist in the round—they overlap. As the committee is well aware, the provision straddles many different sectors of public service. If we are serious about adopting a place-based approach to the provision of public services, which we talk about so regularly, that also has to include all parts of public service.

There are some very good examples already in different parts of Scotland where public bodies are coming together and sharing services—sharing buildings. That needs to continue, but at scale. Having better data and a complete picture of assets and sharing that information across public bodies will be part of the next step, so that we can make some of those important decisions with the right information at our disposal.

Graham Simpson: You probably agree with the general thrust of my next question, then. If we are to do a survey of the public sector, it should be the entire public sector and not just Scottish Government buildings. It should include councils and health authorities, which you have mentioned—it should be everything.

Stephen Boyle: Yes, there needs to be that rounded understanding of what assets we have, their condition and how they might be used in the future. We should not artificially delineate between one part of the public sector and another. Dharshi Santhakumaran is absolutely right to emphasise the public sector reform component, but decision makers also need to consider the impact on individual communities. Public bodies and their estate are vital to the provision of public service.

As we saw through the pandemic, public bodies and their estate stepped in. We have seen more recent examples where public bodies are offering their buildings as safe and warm places for people to go to during the cost of living crisis. Planning for different scenarios matters, and that is best done across the piece, so it should not only involve administrative buildings but should be broadened out into operational buildings and then across public bodies in Scotland.

Graham Simpson: I completely agree with that. Given all that we have heard so far and what is in your briefing paper, is there a risk that some key public buildings could close in future? I guess that the answer has to be yes, but you can tell me.

Stephen Boyle: The analysis of the use of the estate is what now needs to happen. As set out in the paper, some buildings are no longer being used as originally intended. Occupancy rates were not what they were before the pandemic, or in decades before that, but public bodies face difficult choices.

As well as the capital budget, there are revenue budget challenges. Even in the past few weeks, some public bodies have made choices about library services, leisure centres and so forth. Those are the challenges that public bodies are facing. They are extremely difficult at the moment, but doing that on a body-by-body basis makes them even harder. Our position in the paper is that the provision of public bodies' estate is significant. Therefore, if that is done on a joined-up basis, that might make some of those difficult choices less prevalent. However, it is inevitable that the estate that we currently have will not be the estate that we will operate in years to come.

Graham Simpson: That is a fair point. You also make a really good point about the use of buildings. For example, some councils have been considering closing leisure centres. However, if that happens, the NHS may turn around and say, "If you close that centre, it will impact people's health, which will cause more problems for us." Is that the kind of joined-up approach that should be taken? If a council is considering doing that sort of thing, should it talk to the health service?

Stephen Boyle: I will not comment on the individual circumstances of local authorities, which is beyond my responsibilities. However, leisure provision could be considered as a preventative activity that allows people opportunities to maintain good health. I can draw a comparison with acute services in the NHS. We have already spoken about places which people would generally access when they experience poor health. The preventative spending agenda is designed to keep people healthier for longer. Finding the right balance that covers different parts of public service and making decisions in a joined-up way beyond traditional boundaries will help to ensure that we have the estate that we need into the future.

The Convener: We are coming towards the end of the session. Willie Coffey has a couple of questions on maintenance and I have one final question.

Willie Coffey: I want to round off the conversation about the backlog maintenance picture. Is that picture clear enough? Is the backlog maintenance subject to being pushed out to longer timescales? Reinforced autoclaved aerated concrete has entered the debate. Are we clear enough about the extent of public buildings that may or may not contain RAAC that is in a condition of concern?

Stephen Boyle: I am happy to start and I will then bring in my colleagues. We do not have a precise figure on backlog maintenance across the public sector estate in Scotland, but we have a number of sectoral analyses. Paragraph 26 of our paper sets out that the NHS has reported that it has backlog maintenance requirements of £1.1 billion, contrasted with an annual capital budget of £578 million. We discussed some of Scotland's colleges' requirements at our meeting last week and we have touched on that in this meeting. Between 2018 and 2022, capital funding for colleges' maintenance has fallen short by £321 million against the £473 million that is required. We have already covered Scotland's prisons. A wider condition assessment will also be needed to inform the capital maintenance understanding and investment prioritisation into the future.

RAAC is part of the emerging challenge. Dharshi Santhakumaran can set out some of the detail about that, but it is a factor of still running properties from the 1950s and 1960s as part of Scotland's public sector estate that investment is required. At a high level, we conclude in our paper that some public buildings require on-going maintenance and investment. However, with the challenges to the capital budget, that will likely be pushed back even further, so there will be more delays, which will bring more risk to the provision of effective public services.

Dharshi Santhakumaran: I emphasise that a major part of the financial challenges that the Scottish Government and its public bodies are facing is that it is not just about having the money to invest in new infrastructure and deciding which projects will go ahead and which will be delayed; it is also about managing investment in the existing estate and dealing with backlog maintenance.

As you touched on, Mr Coffey, there is not the budget to invest in maintenance. As we say in paragraph 26, the NHS backlog maintenance is currently estimated at £1.1 billion, which is the highest that it has ever been. The impact of not having the money to address the issue runs the risk of there being interruptions to the delivery of public services and, consequently, of larger investment being needed further down the road to bring those assets up to reasonable condition. We have seen the impact on, for example, the Victoria hospital in Kirkcaldy and wards having to be closed because of issues with condition.

Ashleigh Madjitey will be able to say more on what we know about the RAAC question.

Ashleigh Madjitey: We do not have an overall picture of RAAC, which again highlights the importance of understanding the estate. We found some information, mainly pulled from parliamentary questions and the like. We know that 14 fire stations are likely to have RAAC and will need replacing. Thirty-nine schools have RAAC in them, and 254 NHS buildings may contain RAAC. Further surveys are being carried out to fully understand the extent of that. We also know that 24 university and college buildings may have RAAC.

Again, there is no overall estimate of how much that will cost, but the fire service expects that it will cost £70 million to replace those 14 fire stations. West Lothian Council estimates that it will cost £77 million to address RAAC across its estates. East Lothian Council published the cost of addressing RAAC in one school, which is £3.8 million. Those are big numbers when funding is tight.

The other thing to add is that the Scottish Government wrote to the UK Government a couple of times about funding support for that, but we have not seen any response.

Willie Coffey: I do not think that the Scottish Government has, either.

Just to clarify, is it your view that, if a building has RAAC, it has to be replaced? That is not the expert opinion that we heard at the Local Government, Housing and Planning Committee, where we heard that the material is safe but has to be monitored regularly for any signs of movement and so on. Can you clarify that for the record? Are you saying that all RAAC must be replaced?

Stephen Boyle: No. That is not our position and it is probably not appropriate for us to take a position on whether RAAC should be replaced or otherwise. Infrastructure experts will take that view.

Public bodies are identifying that they have to spend public money, so the purpose of including the issue in today's briefing paper is that it is another cost pressure. The wider point is that we have not maintained our public buildings properly for decades, which is why more than £1 billion is needed to invest in the NHS, and more on top of that is needed in other sectors. However, we are not advocating a particular solution one way or the other.

The Convener: Colin Beattie has a very short question in this area.

Colin Beattie: We have heard the frightening figures on backlog maintenance, but how much of that would be dealt with by the new builds that are in the pipeline? Obviously, there is a timing issue but, if you are going to build a new building—a new hospital or whatever—the old one's backlog maintenance goes out the picture.

Stephen Boyle: We do not have a calculation of that, but I agree with your line of argument that that figure will change, depending on new builds coming in to substitute for older properties. It will also depend on other estate choices that a public body can make, such as disposing of an asset entirely or moving it to a different style of ownership.

That number will probably change at the margins, but I do not think that what you describe will address the totality of the backlog. Even if new buildings replace older buildings that have large backlog maintenance, we will still need to spend many hundreds of millions of pounds to bring up those assets to proper compliant building safety standards.

The Convener: My final area of questioning is twofold. First, you mentioned the importance of assessing the impact on communities of any changes to infrastructure, and my question on that is: to your knowledge, have there been any such impact assessments?

10:30

Related to that, one of the other kind of high-falutin' duties that exists—it is referenced in endnote 5 of the report—is the equality and fairer Scotland duty. A statement was published on the Government website about how that duty applies to infrastructure investment. Is there any evidence of equality and fairer Scotland duty assessments being undertaken with regard to infrastructure projects?

So, my questions are about community and the equality and fairer Scotland duty.

Stephen Boyle: I will ask colleagues to come in on the equality and fairer Scotland duty question, and they can say whether we have any examples or further information that we can share on that.

On the point about communities, there are a couple of examples that show that communities use buildings, so it is not just about public sector workers. There are some strong examples in which the assets of public bodies were needed in real time during the pandemic or the cost of living crisis. We have also seen examples in which public bodies have made choices as part of community empowerment legislation to dispose of assets and sell them to community groups. Those are all important and relevant considerations.

Given the assessment of the public sector estate that is going on, it is never only about money. Decisions have to be informed by community legislation. Public bodies have to show that they have understood that legislation and that they have properly consulted about the impact of the choices that they make.

There is no question but that they face difficult choices, and the recommendation in the report is that those impact assessments should very clearly set out when decisions about the estate are taken and that, in advance of that, effective and clear consultation should have taken place.

Ashleigh Madjitey: We have not looked at the equality and fairer Scotland duty with regard to individual projects but, as paragraph 8 of our report says, the Government's statement explains that

"all projects and programmes will be assessed against the ... Duty".

However, we have not seen anything pulled together at the IIP level that sets out how that is happening.

Dharshi Santhakumaran: We have also heard from the Scottish Government that it is undertaking work on impact assessments as part of the single Scottish estate programme, including the fairer Scotland duty and equality impact assessments. We do not have any detail on timescales for that, but it is considering that, and its advice to public bodies is that they have to ensure that outcomes are appropriate for the communities that are affected by any proposed action on the estate.

The Convener: Just going back to the equality and fairer Scotland duty, I am looking at the Government's statement, which was authorised in March 2021, so it has been in place for more than two years. When I read the statement, I wondered how those assessments will be made. It says that plans will have to be

"fully Equality & Fairer Scotland Impact Assessed".

How is the Government doing that? Have you seen any evidence that it has been doing it at all?

Stephen Boyle: It is fair to say we have not considered the detail of that for today's briefing paper, but as we follow up—we have discussed how we are doing that with the committee—we will factor into our considerations the extent to which the Government is complying with its own requirements to adopt those revised arrangements, and we will build that into our future reporting.

The Convener: My final question perhaps picks up some of that. In the briefing paper, you state:

"Strong leadership is needed ... to deliver the reform ambitions."

That certainly echoes what the committee in session 5 felt was a recurring theme: the absence of strong leadership, or perhaps the importance of strong leadership in driving through some of these improvements and reforms. What is your sense of where we are with that? Have you seen much evidence of that?

Stephen Boyle: Leadership will be required at all levels and in a consistent way to deliver what is needed to support the Government's public sector reform ambitions. However, the context is absolutely clear with regard to capital, and, at this point, I should say that we will be briefing the committee shortly on our other more recent publication on the Scottish Government's employment arrangements for the public sector workforce. These factors do not exist in isolation, so there have to be clear and effective plans for the workforce and the estate.

This point is perhaps more relevant to Mr Simpson's line of questioning, but the fact is that this goes beyond the Scottish Government into all parts of public service. We have to strike on a clear and effective plan for delivering the estate and look at what that means for having public services that are fiscally sustainable in the future. There is much to do, convener, but there are examples of very clear and effective leadership around the country, and bringing all of that work together will allow the programme to be delivered.

The Convener: I thank Dharshi Santhakumaran, Ashleigh Madjitey and the Auditor General very much indeed for what has been a very useful evidence session for the committee.

I close the public part of the meeting, and we will now move into private session.

10:36

Meeting continued in private until 10:58.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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