



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 2 December 2021

Session 6



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Pàrlamaid na h-Alba

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PUBLIC AUDIT COMMITTEE
10th Meeting 2021, 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)

*Craig Hoy (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Bill Barron (Crofting Commission)

Gordon Beattie (NHS National Services Scotland)

Caroline Lamb (NHS Scotland and Scottish Government)

Carolyn Low (NHS National Services Scotland)

Malcolm Mathieson (Crofting Commission)

Mary Morgan (NHS National Services Scotland)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament Public Audit Committee

Thursday 2 December 2021

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Deputy Convener (Sharon Dowey): Good morning, and welcome to the 10th meeting in 2021 of the Public Audit Committee. I will convene the meeting for the first evidence session and the convener will join us for the second.

Before we begin, I remind members, witnesses and staff present that social distancing measures are in place in committee rooms and across the Holyrood campus. In addition, a face covering must be worn when moving around, exiting and entering the committee room, although they can be removed once you are seated at the table.

Our first item of business is to agree whether to take agenda items 4 and 5 in private. Do we agree to do that?

Members *indicated agreement.*

Section 22 Report: “The 2020/21 audit of the Crofting Commission”

09:01

The Deputy Convener: Agenda item 2 is “The 2020/21 audit of the Crofting Commission”. I welcome our witnesses from the Crofting Commission: Bill Barron, chief executive; and Malcolm Mathieson, convener. I invite Malcolm Mathieson to make a short opening statement.

Malcolm Mathieson (Crofting Commission): Good morning, and thank you for inviting us to give evidence about the Crofting Commission. As you know, our external auditors submitted a report to us at the end of May, which led to the section 22 report from Audit Scotland in October.

We welcomed the recommendations in the action plan in the auditors’ report and immediately set about implementing them. The Crofting Commission’s board and management, and the sponsor team at the Scottish Government, have united around delivering the action plan. As of today, 33 of the 41 recommendations have been implemented and two more may be signed off when the board meets tomorrow.

At the root of many of the recommendations was a lack of clarity about roles and relationships, some of which arose, as you have heard, from our unusual legislation. We have tackled that head on by working with the Scottish Government to revise our framework document and securing joint training for commissioners, senior management and the sponsor division. All that has progressed incredibly well over the past six months.

Bill Barron and I are happy to address any questions that you may have or any clarifications that you require about what we have done over the past six months to ensure that the recommendations are implemented, and, more importantly, that they are in place for the future.

The Deputy Convener: Before I open the session up to members, I will start with a couple of questions. It is good to hear that you have made a lot of progress, that you have implemented 33 out of the 41 recommendations, and that you hope that another two will be signed off tomorrow. However, the Audit Scotland report raises some significant concerns. Can you tell us the extent to which the issues that were raised in that report have impacted on the key services that the commission provides to the crofting community?

Malcolm Mathieson: Bill Barron can answer those questions from an operational perspective, but from a board perspective, the board has focused on the commission’s roles and

responsibilities. The board now understands its responsibilities and it is clear what is operational and what is strategic, which has been helpful for everyone.

Bill Barron (Crofting Commission): Of course there has been an impact. A lot of senior management time has been diverted to thinking about these matters, but the staff and middle management of the Crofting Commission have progressed and are performing to an exceptional level, so the impact on that side of our work has been minimised.

You will be aware that in 2019-20, we met 13 of our targets, partly met one and missed one, which was about the extent of sickness absence among our staff, and there is nothing that we could have done about that. It has been picked up that in 2020-21, the picture shifted and we met nine targets and missed seven. However, many of those targets were couched in terms of doing as well as, or better than, we did in the previous year, but 2020-21 was the year of Covid, when, for example, grazings committees could not meet, we had issues with connectivity and with the availability of our building, and we had staff who were not able to be present because they had caring commitments. It is therefore not at all surprising that performance, measured in that crude way, appears to have dipped. I assure you that, back at the ranch, the staff are performing extremely well.

The Deputy Convener: According to the Audit Scotland report, some of the roles were a bit blurred, so it is good that they have been clarified and that people know what their roles are.

Malcolm Mathieson: I highlight the fact that, as I explained initially, we have all attended training sessions. I think that where the roles and responsibilities start and finish is now very clear. That has been a big step forward for the board, senior management and the sponsor team.

The Deputy Convener: That is good to hear.

The Audit Scotland report states that there was “excessive involvement” by the board and the former convener in operational decision making and in matters that would typically be the responsibility of the senior management team. Excluding the office tasks that were performed during the pandemic, why did the board and the former convener become involved in operational decision making?

Malcolm Mathieson: That is about the definition of “operational decision making”. We were operating during a Covid period. Board members gave out their telephone numbers so that anybody in a crofting community could contact us, because staff were working from home—that was a new environment, and everybody was

getting set up with information technology and so on. Board members said that we would assist by answering any queries from people in crofting communities, if we could. At that stage, the board, including the convener, got involved in operational matters. We thought that that was for the right reason: to try to assist Bill Barron and his operational team.

Some of the comments about the previous convener and the role that he was undertaking are not quite correct. It was all done for the right reason, which was very much to try to help Bill and the staff. However, in retrospect, knowing what we know now, we could say that yes, possibly, that veered into operational matters.

The Deputy Convener: Has that now changed?

Malcolm Mathieson: Absolutely. Well, there is not the same requirement for the board. Home working is now operating. Bill Barron and his team have put in all the procedures, so there is now no requirement for the board to be involved. At the initial stages, the board felt that it was the correct thing to do.

The Deputy Convener: Is everybody now clear on their roles and responsibilities?

Malcolm Mathieson: When it comes to the board, I can certainly say yes. Bill can answer for himself and his management team.

Bill Barron: I echo what Malcolm Mathieson has said. We have had some constructive joint training about the divide between the roles of the board and the roles of senior managers, and the operational strategic split, as it were. It is clear which things are normally delegated to staff to lead on.

It is also clear, and has been made clear to us in the training, that the board is responsible for everything, so it is a question of judgment as to when it asks for more detail. I am absolutely clear that my convener understands how to make that judgment, and it is working exactly as it should.

The Deputy Convener: What things that were said about the previous convener were “not quite correct”?

Malcolm Mathieson: Nothing in the auditors’ report is technically incorrect. On some aspects, we as a board felt that the language was a bit emotive, because the previous convener was doing what he thought was the right thing.

For example, on the taking of a staff survey, the previous convener took office chairs in the back of his Jeep to staff to help them when they were starting to work from home and, while he was there, he would ask them, “How are you? How are things?” and so on. When he conveyed that in writing, he put down that he had undertaken an

unofficial staff survey, but it was not necessarily that. It was more a case of trying to understand what was taking place.

On the operational side, as I have explained, we were in a situation that nobody had experienced before. The board was trying to assist, and technically, if you like, we veered into operational matters. Nothing in the auditors' report is technically incorrect, but we feel that aspects of it do not take into account the situation at the time.

The Deputy Convener: The Audit Scotland report mentions operational matters that existed before Covid. Are they still happening now, or has everything changed since Covid?

Malcolm Mathieson: I think that Bill Barron has explained that, at present, with the training, there is a very clear distinction of what we as a board are responsible for, and I think that there is now an understanding in the commission, including in its staff, of the board's responsibility.

The Deputy Convener: Everybody is quite clear about their roles and responsibilities.

Malcolm Mathieson: We should be after the training—and I am sure that we are. Speaking on behalf of the other commissioners, we are certainly very clear now.

The Deputy Convener: Thank you. We will move on to questions from other members of the committee, the first of which are on the leadership and governance of the Crofting Commission.

Craig Hoy (South Scotland) (Con): Good morning, Mr Mathieson and Mr Barron. The impression that I am getting from what you have said so far is that, in effect, what went wrong was circumstantial rather than systemic or attitudinal. Mr Mathieson, could you say at what point you got the impression that the leadership and governance arrangements had broken down after a period of apparent stability?

Malcolm Mathieson: I think that there was a lack of understanding among the commissioners about the chief executive's roles and responsibilities, and the board's understanding was that the chief executive reported to, and was accountable to, the board. We probably only fully appreciated the dual reporting that the chief executive did when, on a couple of occasions—they are in the auditors' report—things arose that we had not been not fully aware of.

On the biggest learning to come out of this, in the new framework document that we as a board will, I hope, sign off tomorrow, it is now clear that the chief executive is accountable to, and reports to, the board. I think that there was a lack of understanding of the roles and responsibilities prior to the auditors' report being made available.

Bill Barron: It might help to go right back to the start of Covid. The Scottish Government approached me to ask whether it could borrow me for a few weeks to work on the care homes crisis. Hundreds of people were being moved around to do emergency jobs at the time, and the situation was enormously pressured. There was confusion over my status. Was I a Scottish Government person on secondment or a Scottish Government person appointed to the Crofting Commission? What was I? The senior person in the Scottish Government and I spoke to the then convener of the commission and asked whether I could be away for a few weeks. Rod Mackenzie said yes and that, obviously, Covid was much the most significant issue affecting crofters as well as everybody else then. It was agreed on that basis.

We did not consult the whole board at that time. With hindsight, we should have done that. Obviously, things were moving at great pace, but I think that that was the first time that the board felt that there was something a bit funny about the way that decisions were being taken without its formal consultation.

Craig Hoy: What was your response to the vote of no confidence? What is your understanding of why it has now been withdrawn?

Bill Barron: At the time of the vote of no confidence, I was not supposed to know that it had happened. The board had written privately to Fergus Ewing. I discovered the basic content of that letter only when I saw a draft of the Deloitte report in March or April this year. It said things about my style of leadership that were, I think, partly to do with a clash of cultures. Obviously, I am steeped in the public sector—I have done 40 years of it, for goodness' sake—and my colleagues on the board come from a small business, private sector background. They are impatient for things to be fixed quickly, and they are impatient with bureaucracy. I have learned a huge amount from them—I relish that kind of challenge—but there is a little clash of cultures there.

I considered stepping down, because I do not want to work for a board that does not want me, but my senior managers who knew about the matter and those staff who guessed were absolutely four square in saying that things would be worse if I left.

When it all came out to the point that we were able to talk about it and the board spoke to me about it in June this year, it told me that the problem was constitutional. It was not a personal one about me but was about the way that the roles work and fit together. At that point, it was clear to me that my stepping aside would not fix the problem.

That is why I decided to carry on, attend to delivering the Crofting Commission's business and work as closely as I could with my board colleagues to resolve those constitutional confusions. The reason that the vote of no confidence was withdrawn a month ago is that we have worked through those constitutional confusions and there is now much greater understanding of the way that the roles interact.

09:15

Malcolm Mathieson: I absolutely concur. The issue that the board had is that it was under the impression that the chief executive was accountable to and reported to it. Therefore, it asked why the chief executive was going off and doing other things without telling the board first. It was only after that that it became clear to us that it was not our responsibility to say yes or no to the chief executive going off to do other tasks. I suggest that, over the past five to six months, the board and the chief executive have worked more closely together than they have for many years to deliver the auditors' recommendations.

The board had private conversations with the senior management team, who were very supportive of the chief executive. We felt that, based on the changes that have taken place, the clarity of the roles, responsibility and our understanding and the support that Bill Barron has from his senior management team, it was correct that we withdraw our vote of no confidence.

The initial situation was purely down to the fact that we did not feel that the chief executive was keeping the board fully informed. Subsequently, we found out the reasons why.

Craig Hoy: In your opening statement, you said that Covid was the cause of the problem, in effect. However, I am getting the impression that there was a latent dysfunction that came to a head during Covid. Is that the right way of characterising the situation?

Malcolm Mathieson: I think that I said that Covid was the reason for more operational involvement from commissioners. Covid was not the reason for the situation. The roles and responsibilities existed prior to the pandemic, so it is not the reason, but Covid was probably the main driver for the board getting more involved in operational matters.

Craig Hoy: Do you accept that there was a weakness in the arrangements beforehand?

Malcolm Mathieson: Oh yes, absolutely.

Craig Hoy: Looking forward, there will need to be an effort to rebuild trust. How are you going to do that, Mr Mathieson?

Malcolm Mathieson: The first thing is that we have been very open in all communications between the chief executive and me and, more importantly, between the sponsor division and me. The commissioners get notes and the minutes of every meeting that I have with the sponsor and every meeting with the chief executive.

We are now very open in the way that we ask questions. Rather than board members talking among themselves, we are now very open and detailed in the questions that we ask. Not only is there greater clarity on roles but, over the past six months, much more openness has arisen in all aspects of the commission, ranging from the sponsor, through the board and senior management to the chief executive.

Craig Hoy: Has a more formal process been developed to ensure that the chief executive is held accountable to the board for his performance?

Malcolm Mathieson: Yes. The framework document, which we hope to approve tomorrow, now states that the chief executive is accountable to, and reports to, the board. At each of the board meetings, he gives a verbal update on everything that has taken place. The board now receives a lot of facts and information that it might not have received before. A lot of what comes to us is purely for information—we do not act on it—but it means that we are now a lot more clearly aware of what is happening in the organisation than we were before.

Craig Hoy: Is the board making the best use of the combination of appointed and elected members?

Malcolm Mathieson: Yes. One of the issues with elected members that we are trying to highlight and hope to resolve is that there was a perception that they were there to represent their constituents. As such, there has been the possibility that elected members could get involved in day-to-day operational matters. On our website, we are making it very clear for the next elections that elected members are there to provide Bill Barron, his senior management team and the Government with experience of crofting matters and crofting communities.

It is important that there is greater understanding of an elected commissioner's role. That is what we have been focusing on for the past couple of months, and it should come through. Commissioners are appointed for skills and experience that you might or might not get from elected ones—it depends on who stands for election. However, it is a good split, because it brings in specific skills that the commission might require.

Craig Hoy: Is there now a formal appraisal mechanism for board members?

Malcolm Mathieson: Yes, that process has already started, although I should point out that I can do appraisals only from when I took over as convener, which was in July. Each commissioner has been sent the initial documents, which have to be back by the first week of January, and I have set aside the second and third weeks of that month for my own discussions with the commissioners. I will document those discussions, and that material will be sent on to the sponsor division. The process is in place and has been started, with the documents going out. We also reviewed the appraisal documentation to ensure that it was relevant for elected and appointed commissioners.

Craig Hoy: Do you wish to add anything, Mr Barron?

Bill Barron: I am aware of all of that; indeed, Malcolm Mathieson has been supported in that activity by my board support experts and with training that we have had. We are happy that a proper process is in place and that it will be fulfilled.

Craig Hoy: You said that training had already taken place. Will that be a continual and on-going process?

Malcolm Mathieson: Yes. In fact, one of the biggest things that we have learned from the training that we have just undertaken is that it should have happened when the new board was brought together. The training that we have done over the past six months has highlighted in a very detailed manner what is operational and what is strategic, and what the board should and should not get involved in.

The training was such that the commissioners all felt that, when the new board takes effect from next April, the sessions that we have just had will need to happen in the first six months, because it is imperative that board members know right at the start of their tenure what their roles and responsibilities are. Unfortunately, it has taken us five years to get to that point, so we will want to do that very quickly.

Bill Barron: I want to take a slightly different tack on the matter. We had eight new board members out of nine in the space of three months in 2017, which would be a challenge for any board, and we instituted a pretty heavy training schedule. However, we probably front-ended it too much, with a deluge of information coming to people who might not have had any knowledge of how public sector organisations operate. We are now looking to take a more nuanced approach, concentrating on a smaller number of key things

up front and taking a bit more time over some of the rest of it.

That said, we all hope that we will not have discontinuity to the same extent at the next elections. It will obviously help things if some of my colleagues stand again and are re-elected.

The Deputy Convener: Before I move to the next set of questions, I want to ask for an update in writing on the framework that has been agreed and the further recommendations that will be implemented after your meeting tomorrow.

Malcolm Mathieson: Absolutely. Once the board signs it all off tomorrow, we will certainly do that.

The Deputy Convener: Colin Beattie has some questions on the sponsorship arrangements between the Scottish Government and the Crofting Commission.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Before I get on to that, I have to say that it is easy, sitting here, to forget how serious this section 22 report is. The impression that I am getting is that there is nothing to see here and that we should move on; there were just little technical hitches, we have sorted it all out and everything is cuddly again.

However, I come back to the fact that the report is extremely poor, and for that, the senior management, past and present, is responsible. I expect senior management to have the skills, knowledge and commitment to ensure that we do not get into this sort of situation and that we do not have to look at these reports. Yet here we are.

I realise that, from your perspective, you feel that a great deal of work has been done, with the changes to the board and everything else. I am concerned about ensuring that we do not see the Crofting Commission in front of the committee again as the subject of a section 22 report, but I am not really hearing much to reassure me that the senior management skills are there and that the people in charge are capable of managing this adequately. I think that Bill Barron said that extensive training was given to the new board members when they came in, eight out of nine having changed, but whether they are elected, appointed or whatever, they all have a responsibility that they cannot walk away from. They should have the skills to deal with that, and if they do not, they are clearly unsuited to the job.

We have seen the results of what appears to be failure after failure in the management process, which is why the section 22 report was issued. I am happy to hear your comments on that, but we cannot walk away from the fact that this is a serious report that highlights serious deficiencies. It will certainly take time for the committee to

understand and accept that the changes to be implemented will be a step change in the situation. We might be just a little bit naive if we simply accept that everything has been fixed, because I see no evidence of that at this point.

Malcolm Mathieson: All I can say is that the board as constituted today is totally committed to ensuring that the situation never arises again. You talked about the need for necessary skills and experience. With the three appointed commissioners, you can get the skill set that you require, but if you have six elected commissioners, you will have to work with those individuals. We have been very fortunate in having a very capable group of elected commissioners, and I hope that that will be the case as we move forward.

As Bill Barron has said, there was a lot of training at the very start to try to give people an understanding of the differences between a commercial environment and a more public sector environment. What this board has learned will be passed on to the next board. I also point out that I and one of the other appointed commissioners are here for another three years, and we will ensure that the lessons learned from what happened in the past will be carried forward into the future. Bill can speak for the management, but I certainly think that the relationship is lot closer now than I have seen it in my five years on the commission.

Colin Beattie: Let us move on to the safer ground of sponsorship arrangements. Serious concerns about how they worked come out in the report. How did it come about that the Government's sponsor division seemed to relate to the senior management team rather than the convener?

Malcolm Mathieson: I cannot comment for the previous convener, and I am not aware of the nature of that relationship. Bill Barron might be able to update you on that matter.

Bill Barron: That goes back to the predecessor board that was in place from 2012 to 2017. As you know, there were governance difficulties with that board towards the end of its term. I became chief executive, initially on an acting basis, five months before the elections, and I was having all sorts of discussions with the Scottish Government about how we could keep the organisation going, how we could restore its credibility with crofters and so on.

At that time, we probably got into the bad habit of having a strong connection between me and the sponsor team, and we tried to reset that when the new board came in. The new convener, Rod Mackenzie, was chalk-and-cheese different from his predecessor, and he started to meet the sponsor team with me. However, because the relationship between me and that team was

already quite strong, Rod probably felt that he was not entirely necessary, and we did not do enough to strengthen the direct relationship between the sponsor and the then convener.

09:30

Colin Beattie: Did anyone in the Government's sponsor division comment at all on the unusual route of contact?

Bill Barron: No. I suspect that they were caught up in the same mistake that I was. Having been through a very troubled time with the previous board, they found themselves in the comfort zone of talking to a civil servant, and none of us spotted the importance of correcting that.

Colin Beattie: Malcolm Mathieson has already touched on the current relationship with the sponsor division. Are you satisfied that it is now providing the required support?

Malcolm Mathieson: From a personal angle, I would say absolutely. The division was exceptionally helpful in ensuring that the major changes that we as a board wanted in the revised framework document were made. Some of those changes—for example, the fact that I as convener and Bill Barron as direct report now do appraisals—brought in things that did not happen in the past, and previously the board had had absolutely no input into that sort of thing.

I have found the sponsor division to be exceptionally helpful during the past six months, and any time that we have asked for assistance or clarification, we have received it very quickly. I certainly have experienced an openness in the past six months. I cannot comment on what transpired prior to that, but as convener, I am very pleased with the support from and our openness with the sponsor division.

Bill Barron: I should also note that sponsor division colleagues have been part of the joint training that we have been talking so much about. In other words, the training has been undertaken by the board, the management and the sponsor.

Colin Beattie: During the discussion, we have touched on the use of Scottish Government staff, including in the role of chief executive. They are provided by the Scottish Government on Scottish Government terms; in fact, I think that almost all your staff are secondments, and it is unusual for that to happen to such an extent. What are the advantages and disadvantages of such an approach?

Bill Barron: The main advantage is administrative convenience. Other non-departmental public bodies of a not dissimilar size would have a human resources team of, perhaps, three, but we do not have an HR team as such.

Obviously, we look after the wellbeing of our people, but aspects such as pay negotiations, terms and conditions, disciplinary arrangements and so on are provided for us.

Colin Beattie: Could you not do the same thing simply by recruiting people on the Scottish Government's terms and conditions?

Bill Barron: We could do—

Colin Beattie: But you do not.

Bill Barron: When the Crofting Commission was formed out of the previous Crofters Commission, which was an agency, the proposal at that time was to move staff from being part of the Scottish Government for HR purposes into a sort of normal NDPB arrangement. However, there was a backlash against that and, had we made the change at the time, there would have been considerable disquiet and probably quite a lot of staff losses. Parliament decided to leave the Crofting Commission the option of doing this either way.

Colin Beattie: Did the Parliament decide that?

Bill Barron: It is in the Crofting Reform (Scotland) Act 2010.

Colin Beattie: It is embedded in the act that Scottish Government staff will be used.

Bill Barron: The act says that the Crofting Commission may use its own staff or staff provided by the Scottish Government.

Colin Beattie: The act gives the option.

Bill Barron: Yes.

Malcolm Mathieson: I should also clarify that the revised framework document says that any subsequent chief executive may or may not be a secondment from the Scottish Government. That gives the board the opportunity to recruit outside the area, if required.

Bill Barron: I do not think that that is quite right. The chief executive has to be a Scottish Government appointee, although the recruitment can be from wherever.

Malcolm Mathieson: That is correct. The appointment has to be approved by the cabinet secretary, but the board can look at employing someone from outwith the Government.

Colin Beattie: But it never has.

Malcolm Mathieson: To date, it has not been able to. The framework document has only just been altered to reflect that.

Colin Beattie: Okay. The proposals for an expanded role in grazings for the commission were not subject to final board approval before the

national development plan was published. What have been the consequences of that?

Bill Barron: The consequences are that the national development plan says that the commission will deliver something that the commission has not agreed to deliver, so there is a continuing tension between us and the Scottish Government in relation to that.

Colin Beattie: How long do you anticipate that continuing?

Bill Barron: It is difficult to say. The commission is not against the proposals in the plan; we can see the value in all of them. It is a question of prioritisation of resources. If we had a different set of priorities or a bigger envelope of resources, the problem would go away and we would willingly do the things that the Government has said it wants us to do.

There is every prospect that there might be a conversation about resources that would take the heat out of the issue. The Government's other option is to direct us to do it, but it would prefer to do it with us, by consensus.

I know that you did not ask me about this aspect, Colin, but the root of the problem was muddled communication. There were a number of conversations between the Government, the board, me and SMT colleagues about what was going in the plan, and drafts were shared, but this was a muddle that never got nailed down before the document went to print.

Colin Beattie: So the actual concern is not a question of disagreement on a point of fact but disagreement on prioritising the proposals—is that correct?

Bill Barron: Yes.

Colin Beattie: Okay. I have one last question. Malcolm, you have been fairly clear that you are happy with the current relationship between the sponsorship division and the Crofting Commission.

Malcolm Mathieson: Yes.

Colin Beattie: Does anything still need to be done to improve that relationship or to make it more effective?

Malcolm Mathieson: There will always be things to improve but, just now, I feel that as problems and situations arise, there is an openness in the relationship that means that we will discuss things straight away. I cannot say that it is a perfect relationship and that nothing will ever happen but there is now an openness so, if anything crops up, we will not be in the same situation as we were before; we will be able to discuss it very clearly at the start.

Colin Beattie: Okay. Thank you.

The Deputy Convener: Richard Leonard now has a set of questions on weaknesses in business planning.

Richard Leonard (Central Scotland) (Lab): Good morning, Mr Mathieson and Mr Barron. I apologise for being so late and am sorry that I missed your answers to the earlier questions.

The committee wanted to look at business planning, which was highlighted in the Audit Scotland report. A medium-term financial plan was put together. Where do you stand with that and what steps have you taken to improve the financial situation of the commission?

Bill Barron: Finance is one of our strong suits. We have an exceptionally strong finance officer, who has received plaudits from auditors on how he manages the finances year by year.

The issue that Deloitte has raised over the past two or three years is forward planning. Deloitte has asked us to look ahead to see whether we will be financially sustainable in two, three and five years. That is an interesting question for us, because more than 75 per cent of our spend is on staff, all our budget comes from the Scottish Government and we get it a year at a time. You will appreciate the challenge of what to write in the medium-term financial plan when we do not know what our budget will be.

When Deloitte told us to do a medium-term financial plan, we wrote one that outlined our management responses to the possible scenarios of resources going either down or up. The plan detailed the staff that we would have to lose if resources went down and where we would like to expand if resources went up.

Deloitte came back and asked us to do that more thoroughly by looking further ahead and tying it in more definitively with the stated objectives in the corporate plan. Therefore, the second version of the financial plan last year was better, but Deloitte has given us a number of other things to improve, so we will be doing another financial plan in the near future. That will be tied in with a new corporate plan that we will develop around the time of the election, so it is a work in progress.

Richard Leonard: Do you mean your election to the commission next year.

Bill Barron: Yes—I am sorry.

Richard Leonard: You had my heart beating there. [*Laughter.*]

The next question is for both witnesses. When I read the report, one of the things that stood out was that there was a failure to properly involve the commission in setting the budget in the year that is under review in the Audit Scotland report. Mr

Mathieson, before you became convener of the commission, you were the chair of the commission's audit and finance committee—

Malcolm Mathieson: I was that committee's vice-chair.

Richard Leonard: What steps are you taking to avoid a repeat of what was clearly a failure in communications and in the relationship between the commission and the setting of the budget, and the interaction between the commission and the Scottish Government?

Bill Barron: We have always done it that way, but we are going to change and do it differently. There is no "Let's go back to when it was right"—we have always done it this way."

In the past, we have involved the board closely in the decisions about priorities, business plans and staffing, and in some of the smaller decisions about accommodation and information technology that have implications for the budget, so there is closeness at that level.

Deloitte flagged up to us that, in the earlier discussions, we did not have drafts of the whole budget in those discussions so that board members could see the discussions' immediate financial implications. Instead, we had the discussions and got a good understanding of the board's priorities and aims, then worked through the budget as an arithmetical exercise, to cast light on that. I do not think that things will fundamentally change when we share budget numbers in more detail earlier in the process, but that will close the loophole.

Malcolm Mathieson: From the perspective of the audit and finance committee, I say as an accountant that the calibre of financial control in the commission is absolutely superb. At each audit and finance committee meeting we have a very detailed analysis of the current financial state of the commission, with projected outcomes to the end of the year. Because 65 to 70 per cent of the commission's budget is staff costs, as the AFC, we were always aware of where the commission would be within the coming year. We were comfortable with the information that we were receiving from Bill Barron and the finance team. However, as Bill said, we have followed the recommendations; I believe that the audit and finance committee is now getting involved earlier. We were, though, confident about the information that was being conveyed to the AFC.

Richard Leonard: Maybe I am misreading the situation, but is not it odd that the directly elected commissioners do not shape the budget of the Crofting Commission, or were excluded from the process? Mr Barron, I know that you said that that was the normal state of affairs, but why would that be? I do not understand that.

Bill Barron: I disagree that the commissioners did not shape the budget. They did shape the budget, because they told us their priorities and aims and, sometimes, what they wanted us to do with IT. Therefore, it was clear that the board was in charge of directing how resources were used. In my view, Deloitte has picked up a technicality about the fact that the conversations were not numerical enough early enough. Deloitte says that they should have been numerical; we are fine with doing that.

However, our non-staff budget is about £700,000 a year, so we are not talking about huge amounts. An awful lot of that is, for all practical purposes, fixed spend on accommodation, communications and travel, for example. It is a question of how much detail we need to go into at an early stage and whether we make the conversations numerical at an early stage.

09:45

Richard Leonard: I turn to workforce planning, staffing and so on. I want to hear your views on the progress that is being made in planning the commission's workforce. Again, I accept that the organisation is not huge, but you will, nonetheless, need a workforce plan. Have you reached conclusions about whether the mix of the senior management team is correct, and whether you need additional resources in that area? Perhaps Mr Barron can comment first.

Bill Barron: We are on a journey in that respect, too. We produced the first of our new-style workforce plans at the start of 2020, revamped it at the start of this year and will do another one in the near future.

The big change in the area follows the Deloitte recommendation that we get an independent examination of the commission's structure and staffing need. That examination was commissioned from external consultants; their report came in just a couple of weeks ago, and the board will be discussing it with them tomorrow. The report and the judgments that the board bases on it will enable us to take workforce planning to a new level, because we will be able to say that we now have evidence about where we ought to be and what we need at senior management level and on the front line. It will allow us to have more evidenced conversations with the Scottish Government on how that will be implemented.

Malcolm Mathieson: I concur with Bill Barron. The manpower review was completed by independent consultants about three weeks ago, and the document that was produced is worth while. In fact, it has clarified for the board the necessary skills and structure of a senior

management team. The board will be discussing the recommendations at tomorrow's board meeting; the document has provided us with a very good blueprint for how the commission should be structured.

Richard Leonard: I also picked up the suggestion that there ought to be an accountable officer who would be a deputy to Mr Barron. Is that part of the plan?

Bill Barron: It is not: Deloitte is wrong about that. The Scottish public finance manual does not permit me to appoint a deputy accountable officer; instead, it says that I should appoint someone who would be the leader if I am not available. I would not be entitled to give that person accountable officer status, nor would the permanent secretary, if I was going to be away only for a short time or if I was contactable. That person is in place and designated under, I think, paragraph 7.1 in the public finance manual, which sets out how we are supposed to do that.

Richard Leonard: We will look at your evidence and at the supporting documents to which you have referred.

Bill Barron: I can write to you, quoting that bit of the manual.

Richard Leonard: That would be helpful.

I have just a couple more questions. When he gave evidence to the committee on the section 22 report, the Auditor General for Scotland said that there is an "Improvement Plan"—which I believe had a capital I and capital P. Can you give us an insight into where you are on that journey?

Bill Barron: What I call our improvement plan is the same thing as the 41 Deloitte recommendations. Had you been here at the start of the meeting, Mr Leonard, you would have heard that we have already implemented 33 of them and are hoping to get to 35 of the 41 tomorrow. We are well on track, in that respect.

We have other improvement plans. Indeed, one recently emerged from the joint training that we have undertaken—and which, in fact, was one of the actions in the first improvement plan—and I expect it to be adopted by the board tomorrow, too. It is an on-going process, but we have put an enormous amount of energy into following up on the recommendations.

Malcolm Mathieson: I also point out that, although we still have six recommendations to meet, they are consequent on other recommendations being taken forward. In other words, we have to complete one thing before we can move on to another. Once we approve the manpower plan tomorrow, further recommendations will start to be actioned.

Richard Leonard: My final question is on an issue that, again, we reflected on in the evidence session with the Auditor General. I think that a report with recommendations was produced by consultants in 2016. It appears that some of the recommendations that have come from the Deloitte audit echo issues that were raised then. The question that lingers in my mind—forgive me for missing the first part of the meeting—is this: what confidence can we, as the Public Audit Committee of the Parliament, have that things will be different this time, and that the improvement plan will be implemented and some fundamental issues addressed and solved?

Bill Barron: I draw a clear distinction between the difficulties in 2016 and the report that is before you now. I listened to the evidence that the Auditor General gave you a few weeks ago. He said that there were similarities between 2016 and 2020 because there were

“strong personalities, differences of opinion and ... incongruent individual ... priorities”

within the board. That is absolutely true. Every healthy board of an NDPB in Scotland will include different views. The issue is how you bring them together.

The fact that you can describe the troubles that we are having now and the troubles that we had in 2016 with that phrase does not mean that there is any similarity between them. One of the pieces of evidence for that is in how the media have reacted. The media in the crofting counties were all over the difficulties in 2016; by comparison, they are not very interested in the current report.

Another piece of evidence is the reaction of the staff. When we were at the depth of the problems in 2016-17, our staff satisfaction rating was 46 per cent. When we measured it last April, at the height of all the current issues, it was 65 per cent, which is a record high for us. The situations in 2016 and now are like chalk and cheese: they are not the same.

You asked how we can be confident that the necessary changes will be cemented. There are two answers to that. One is that we are documenting a lot more. The new framework document goes into areas that were left vague before about how my dual accountability works. Documentation will strengthen us.

The other answer is continuity on the board. Malcolm Mathieson and one of his appointed colleagues will continue beyond the election. I hope that some of the currently elected commissioners will stand and be re-elected. If we can get more continuity, rather than having breaks between one board to a completely new set of members, that will help.

Malcolm Mathieson: I concur. One of the other appointed commissioners and I will be there for another three years, so it is our intention to ensure that whoever is on the board is brought up to speed quickly with what has happened over the past years and what we are doing at present to ensure that it does not happen again. The continuity of having two of us remain on the board is certainly a benefit. That puts the responsibility on us to ensure that everybody is aware of what has taken place, that they are aware of what we have put in place and that it is carried through.

Richard Leonard: Mr Barron described the situation as being not untypical of what happens in other parts of the public sector. When I read and understand what has happened, I see a high degree of turbulence. The former convener left and the one before that left under extraordinary circumstances that I have not quite got to the bottom of. There was, of course, also a vote of no confidence or a call for your resignation. Those instances are not necessarily recognisable as typical of how things have been in other parts of the public sector.

We are asking these questions not because we want you to fail but because we want you to succeed. It is extremely important that the crofting communities and the crofting way of life be sustained, sustainable and successful. You have a key part to play in that, so I wish you well.

I presume that there is a continuing relationship with the auditors from Deloitte so that they can help you and work with you through the improvement plan to ensure that things get on to a sustainable track that will lead to the support that the crofting communities need.

Malcolm Mathieson: Yes, there is. Deloitte is working with the audit and finance committee and it is feeding back to Bill Barron and his team. Again, from a board perspective, we have a lot of confidence in our auditors. Their help—if you like—and experience are invaluable to us.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. I listened carefully to Colin Beattie’s line of questioning in which he asked where the problems arose. In his opening remarks, Malcolm Mathieson said that many of them arose from unusual legislation. I will go back to that for a moment in order to allow him to elaborate on that for the record, and to make it clear to the committee and everyone else whether he is saying that the problems in the Crofting Commission arose from dysfunctional legislation, management failures or a bit of both.

Malcolm Mathieson: I explained to start with that board members assumed, incorrectly, that the chief executive who reported to them was accountable to the board. One of the major issues

was that when the sponsor—via the Government—asked Bill Barron to help them out in other situations, our view as the board was, “Hold on a minute—that’s our responsibility”. We did not appreciate at the time that, as a secondee from the Scottish Government, Bill’s reporting structure was to the Government via the sponsor division. That clarification means that we are a lot clearer about roles and responsibilities, on who reports where and so on.

One of the biggest changes in the framework document is that it is very clear that the chief executive reports to and is accountable to the board. The confusion about that is, therefore, gone. As Bill touched on earlier, the board members are all individuals from very commercial backgrounds who expected that the commission would be operating in a very commercial manner, including, for example, that the chief executive reports would report to it. A lot of the problems stemmed from that; it has been resolved.

Willie Coffey: In making that journey, why would you not have first arrived at the position of having concerns about the framework and governance and so on, rather than jumping to things such as votes of confidence in the chief executive? It seems to me that that was the wrong way around. Did you raise the concerns with the Government? Did you say to it, “Your legislation isnae fit for purpose?” If not, why not?

Malcolm Mathieson: That was because the situation never arose. On the relationships and how things were working, there was never a situation in which something happened on which the board took a divergent view. That simply did not happen. I therefore suggest that the correct understanding did not really exist for the first four years of the board. It was therefore only when a decision was made—due, as Bill explained, to very difficult circumstances—that the board was surprised that the relationship was not as we thought. That was purely because no situation had arisen that called it into question.

Willie Coffey: What is the position now? Has the commission said to the Government that the legislation is perhaps not fit for purpose?

Malcolm Mathieson: Absolutely. The framework document has been agreed between management, the convener and the sponsor. As well as having the framework document, the board is now a lot clearer about roles and responsibilities—not only from a legal or document perspective, but from an operational perspective.

Bill Barron: I have a slightly different take. There are two odd things about our constitution. One is that not only am I on civil service terms and conditions, but I am appointed by the Scottish Government, which chooses the chief executive of

the Crofting Commission. That creates a slightly funny dynamic from the off.

What Malcolm has been explaining is that we have learned how to live with that legislation. We have recognised that although the route by which I got my job is unusual, my job is to be entirely accountable to the board in exactly the same way as any other chief executive would be accountable. That means that, if, in the future, they want to change me, I should respect that, because that is where accountability ought to be.

10:00

The other unusual thing about our constitution is that six members of the commission change on one day every five years. That has raised eyebrows with regard to how one achieves continuity and avoids the problem of too many people at the same time not understanding the role. That is another issue that the Scottish Government is thinking about. It might not be easy to change that.

Willie Coffey: I will finish by following up on the questions that Richard Leonard asked about the improvement plan and looking to the future.

There have been several mentions of the recommendations and the fact that 33 out of 41 recommendations have been achieved. Who agrees that those have been achieved?

Malcolm Mathieson: The board agrees: it signed off on the recommendations. At our last board meeting, I think that we had achieved 29 or 31 of them. At that stage, the board reviewed the report and the recommendations internally; it was not simply a case of ticking the box. We set out what has happened over the past six months and all the actions that have been taken. Prior to the board meeting, the report went to the board, which reviewed it and had the chance to question Bill and his management team on the actions. The board could then say that the recommendations had been achieved.

However, that will be audited by Deloitte. Although we, as a board, say that we accept the achievement of the recommendations and can see that it is happening, ultimately Deloitte will review and confirm that when it comes to do an annual audit

Willie Coffey: Is the crofting community itself seeing the benefit of achievement of the recommendations or is it too early to tell? Are the changes and recommendations mostly structural and internal? When will people see the benefits of achievement of what is in the improvement plan?

Bill Barron: I hope that the crofters in the crofting communities are not too directly affected; even although they will be indirectly affected,

because distracted management—as it were—affects the whole operation. I think that there is a lot of support from crofting communities. They are behind the commission and want it to succeed and get round the difficulties. However, I do not think that they feel directly affected by them.

Malcolm Mathieson: I concur with that. The feedback that the commission has received from crofting communities is that there are probably two or three incredibly important items for them, and those important items are not included; I think that they see it as an internal document. It is to their benefit that the internal structure and operations of the commission have improved, but it does not affect their day-to-day involvement with the commission.

Willie Coffey: Are the remaining recommendations that you continue to work on the most difficult and challenging?

Malcolm Mathieson: Not particularly. For example, one of them is around longer-term financial planning, and we have to get a manpower report and decide on a management structure and cost it before we can do another three or four years of financial planning. The majority of the recommendations that are left are, in fact, subsequent to ones that we have completed. They follow on.

Willie Coffey: I have a final question. Will Deloitte conduct a follow-up audit to check whether it agrees that the recommendations have been completed satisfactorily?

Malcolm Mathieson: As far as I am aware, it will review the document as part of its annual audit, which I would expect it to do.

The Deputy Convener: As nobody else has any final questions, I thank Malcolm and Bill for their evidence. We will reflect on the answers that they have given us and look forward to getting written reports on how they intend to take forward the recommendations of the staffing review, whether the framework was agreed, and the further recommendations that will be implemented after the meeting tomorrow.

Malcolm Mathieson: I thank the committee for the opportunity to explain the progress that we have made.

The Deputy Convener: I will suspend the meeting to allow for a changeover of witnesses.

10:04

Meeting suspended.

10:08

On resuming—

Section 22 Report: “The 2020/21 audit of NHS National Services Scotland”; and “Personal protective equipment”

The Convener (Richard Leonard): Agenda item 3 is an evidence-taking session on the Audit Scotland report on NHS National Services Scotland and, in particular, the “Personal protective equipment” report.

All our witnesses are joining us online this morning. I welcome from NHS National Services Scotland Mary Morgan, chief executive; Carolyn Low, director of finance; and Gordon Beattie, director of national procurement. I also welcome Caroline Lamb, chief executive, NHS Scotland, who is accompanied by Richard McCallum, director of health finance and governance, Scottish Government.

As you are all joining us virtually this morning, I suggest that, if you want to come in at any point, you put an R in the chat box. I also point out that you do not have to push your own mute and unmute button—broadcasting will do that for you.

Our time is necessarily limited, and I know that Mary Morgan and Caroline Lamb want to lead off with statements. If you want to bring in anyone to bolster, substantiate or develop any of your responses, please encourage them to do so straight after you finish.

Without further ado, I invite Mary Morgan to make a short opening statement.

Mary Morgan (NHS National Services Scotland): Thank you, convener, and thank you, committee members, for welcoming me and my colleagues to the meeting. We are very pleased to have this opportunity to discuss the reports that have been mentioned. I thank Audit Scotland for those reports and its acknowledgement of the integral role played by our organisation in responding to the pandemic in Scotland.

Although the past two years have undoubtedly been the most challenging in NSS’s history, our teams continue to deliver solutions at an unprecedented rate to ensure the health, safety and wellbeing of the people of Scotland. During the pandemic, we have protected front-line workers by sourcing and supplying more than 1 billion items of personal protective equipment to health and social care, and we have established a virtual portal to help to process inquiries during periods of significant pressure. We have also established a domestic supply chain, with 88 per cent of supplies coming from Scottish companies.

That not only provides Scotland with more resilience; it brings an added economic benefit.

We have played a vital role in Covid testing by establishing 94 testing centres across the country, along with three dedicated regional hub laboratories as part of the national health service in Scotland and the associated procurement, legal and digital services that have been required. We swiftly established the national contact centre to deliver the contact tracing programme, recruited and trained more than 1,200 contact tracers of our own, and supported an additional 2,000 across partner organisations.

Our digital and security team has delivered exceptionally, initially by rolling out Microsoft Teams across the NHS in Scotland. That revolutionised our work environment and ensured that thousands of NHS staff could continue to work safely from home. The team also provided security assurance and management expertise for the Protect Scotland app, and developed and rolled out the Check In Scotland app and the Covid vaccination appointment scheduling system.

NHS National Services Scotland has supported the build, stocking and decommissioning of the NHS Louisa Jordan field hospital. We have also provided legal guidance in numerous aspects of the pandemic response, and we continue to play a key role in the Covid vaccination programme.

Although our organisation has had exceptional achievements, we acknowledge the points in the reports about variations in standard processes and aspects of transparency with regard to procurement and the awarding of contracts during this time of extreme pressure, and we take on board the recommendations, particularly on consistency in recording and publishing documentation. I can tell the committee that, in order to address that issue, we have fully reinstated the standard processes for regulated procurement, contract approval and notice of publication.

Once again, I thank the committee for inviting us here today. We welcome any questions that members might have.

The Convener: Thank you. I now invite Caroline Lamb to make a short opening statement.

Caroline Lamb (NHS Scotland and Scottish Government): Thank you very much, convener. I welcome Audit Scotland's reports and the opportunity to give evidence to the committee.

The past 22 months have been exceptional in respect of the demands that have been placed on our health and care services. In turn, the response of NHS and social care staff has been nothing short of extraordinary. I place on record my thanks to NSS for, as the Auditor General put it, the

“pivotal role” that it has played and which it continues to play in that extraordinary response.

As the reports have set out, we responded at pace to an immediate threat, which has evolved and continues to evolve over time. That has presented significant challenges and, in the responses to it, we have seen amazing innovation and progress. PPE supplies were not only sustained during a period of unprecedented global demand, but a resilient supply chain was established that included domestic PPE manufacturers.

We have seen the establishment and continued operation of our national test and protect programme; the opening in just 20 days of an entirely new hospital, which was then quickly repurposed to provide out-patient capacity and vaccinations; and, of course, the delivery of vaccinations to millions of people in a matter of months. Those achievements are remarkable but, as the audit report sets out, there are lessons to be learned to ensure that we are best placed to respond to the on-going and future challenges. I am committed to doing just that and to embedding the innovation that we have seen as we continue to remobilise our NHS and to respond to Covid and the emerging new variants.

I am happy to answer any questions from the committee.

10:15

The Convener: Thanks very much to both of you. I will start with a specific question on PPE supply chains. We have looked in awe at the growth in the domestic supply of PPE from zero to 88 per cent. That has been one of the more interesting consequences of the pandemic that we have been living through.

Can Mary Morgan tell us what the balance of trade is now? Are we still importing some PPE? If so, where from? The committee is also interested in whether, given the growth of the PPE supply chain in Scotland, we are in a position to supply international markets, including the lesser-developed parts of the world that perhaps need PPE at a time when we appear to have at least as much as we need or possibly even a surplus.

Mary Morgan: I will start and then hand over to Gordon Beattie, as he can give you some more detail on that.

The success around PPE has been largely down to two pieces of work: one is collaboration, particularly with Scottish Enterprise, in helping to secure Scottish markets; the other is the opening of a portal, which the report mentions. Many people stepped forward with information on their capabilities in relation to developing not only PPE

but testing capacity. That portal was critical in helping the procurement teams to assess the potential across manufacturers in Scotland to develop PPE. Working together with Scottish Enterprise, we were able to harness the Scottish capability.

Gordon Beattie can give you a more detailed answer about the potential for the international market.

Gordon Beattie (NHS National Services Scotland): Through the supply chain development programme, we have been working closely with Scottish Government and Scottish Enterprise colleagues and our suppliers, who have stood up magnificently in response to the emergency.

We will continue to look at our forward forecasts and to seek best-value and high-quality products, and we really want to support our Scottish businesses in that endeavour. Scottish businesses are looking to use what has happened as a springboard for exports and, in some cases, they have already been successful in doing that. We have had some good news recently from one of the suppliers of specialist masks, which has developed a transparent mask. That mask is now being used within Scotland, and it is being deployed across our health boards. A final assessment is being done in NHS England. The supplier has also won export orders into Europe. That is a great example of the PPE development initiative being used as a springboard for exports. We do not have a direct role in that, but we are helping as best we can to enable the success of such suppliers.

The Convener: Thanks, Mr Beattie—that is helpful.

My other question, which is again directed to NSS, is a bit more general. Paragraph 13 of the audit report draws the conclusion that

“NSS is now heavily reliant on non-recurring funding to deliver services”.

We are now a week out from the Scottish Government tabling its budget before Parliament. The Auditor General cautioned:

“Reliance on non-recurring funding limits the ability of NHS NSS to effectively plan and resource future developments.”

Is that funding uncertainty real? Are there areas of your work that you have been forced to deprioritise because of that? What risks are entailed in doing that if that is what you have been required to do?

Mary Morgan: Many of our services are non-recurrent in nature. It is not clear what the longevity of the pandemic response will be and what business as usual in that regard might look like. A lot of our funding and financing related to the Covid response is, by its nature, recurring. We

are actively planning for what the future might be but, at this time, it is difficult to make assumptions about that.

We recognise that we need to transform. Covid has presented opportunities to do so with new ways of working, to optimise a digital-first approach where possible, and to realise the benefits of reducing travel. We have not had to pause, delay or stop any of our services because of funding difficulties or constraints. That has more been about the mobilisation required because of Covid and the prioritisation of that.

I ask Carolyn Low, who is our director of finance, to give you a bit more detail about what we are doing on that.

Carolyn Low (NHS National Services Scotland): It is true that, if we go back to 2015-16, our baseline funding was £317 million. That represented 80 per cent of our total funds. In 2021, our baseline had increased to £337 million, but that was only 43 per cent of our overall funding. As an organisation, our gross expenditure is £1.3 billion. A significant amount of what we do passes through health boards and is paid-for services. We have a large reach, but a relatively small proportion of that is underpinned by baseline funding.

We need to transform as an organisation. We have a sustainability programme under way, and our services are all planning for the future to determine what we can do differently, how we can embrace hybrid working so that we can be financially and environmentally sustainable and—this is important—how we can deliver our services differently in a digital-first environment.

We are really confident that we can recover the underlying deficit of around £13 million that Audit Scotland identified in its report by doing things differently. However, we look forward to continuing the strong working relationship and partnership that we have with Scottish Government finance officials to explore the aspects of our services that have been funded non-recurrently for a long time and convert some of that to baseline funding. Those conversations continue.

Mary Morgan mentioned the extent to which we will have to maintain our Covid response and services over the long term. It is important for us to be able to confirm that position so that we can provide certainty of employment to the staff whom we have employed to deliver the excellent services that they deliver.

I reassure the convener that those discussions continue with the Government and that we are confident that we will get to an agreed position soon. We have funding confirmed to September next year. That gives us enough space to plan what the future will look like.

The Convener: Thank you very much. If time permits, we will revisit some of those questions on the funding of NSS.

Craig Hoy: I want to drill down a little into the longer-term approach that is being taken to PPE supply and demand and perhaps capture how you are working with partners to develop capacity for on-going normal needs and for another pandemic, should that occur. This question might be for Mary Morgan. How has NHS NSS learned from the process that it has just been through? I am not necessarily asking about what you have learned. What processes have you gone through to capture learning and how are you ensuring that what you have learned is baked into future planning?

Mary Morgan: Our two additional new warehouses will allow us to increase our stock and supplies, and we are actively looking at what stock we retain on a business-as-usual basis. After all, we might not need to increase all our stock lines, depending on the turnover. There will be turnover at play, and inventory management and control data have been critical in supporting that work.

Gordon Beattie will be able to tell you about the detailed work of the team in gathering data and working together with Scottish Government colleagues on identifying the individual stock lines that might be needed.

Gordon Beattie: We have done a lot of work on our forward planning arrangements. One of the lessons that we have learned from our experience is on the need to improve our understanding of what a future pandemic might look like and have good forward planning arrangements and demand profiles of the key products that we require. That work is under way, but we need the close relationship with the Scottish Government, Public Health Scotland and others involved in forward planning. We have good models that allow us to predict what we will need, and that is letting us get well ahead of the game as far as forward planning is concerned. Moreover, as Mary Morgan said, we have established two new large warehouses in Scotland, and we have very good stock of the key products that we think that we will need in future.

We are working across the public sector to understand what the needs will be on a wider footing. Furthermore, we are working with colleagues in the public sector and the Scottish Government on future pandemic readiness, which includes our role in providing—and providing access to—a national stockpile.

Finally, on the data issue that Mary Morgan mentioned, NHS Scotland has really good data. We have a great single finance system and a great single procurement system, but one area where we needed to improve was visibility of stocks at local hospital level. In the past year, we

have purchased a new system that provides inventory management at individual hospital ward level. That system, which is being rolled out at the moment, will give a great deal of extra visibility and allow us to understand where we need to supply in order to ensure that everybody has the products that are essential to meet their needs.

Those are the elements of work that are on-going at the moment.

Craig Hoy: How do you balance the need for the stockpile with the costs? I assume that the products in question are perishable. Are you moving towards more of a just-in-time ordering system, or is having a stockpile important? I am bearing in mind the fact that the absence of such a stockpile was criticised at the beginning of the pandemic.

Gordon Beattie: A balance certainly has to be struck. At the beginning of all this, we found that the stockpile was designed with an eight-week period for replenishment. With the collapse of the international supply chains as mentioned in the report, trying to ensure that we had supplies coming in to replace stock in time became a real issue for us.

We have increased our stock levels, which are good at the moment, and we are well ahead of things. However, we have to ensure that we can turn over stocks that have a shelf life. We are having discussions about the role of a national stockpile across the public sector in Scotland. More areas will be able to access that and, therefore, there will be more stock turnover, which will allow us to maintain stock in shelf life. The pandemic is, we hope, a fairly rare occurrence and there will be times when we have stocks that we need to try and use before they run out of date. We are working with that and thinking it through as we look to the future.

10:30

Caroline Lamb: The Scottish Government has a key role in that as well. We have been working with NSS and other partners across the public sector to learn the lessons from the pandemic so far and take them into future PPE procurement. That includes the work that Gordon Beattie just described on understanding the data, being clear about what we need to stockpile and how we predict demand and supply. It also involves the further development of Scottish manufacturing capability, thinking about opportunities for further innovation, being clear about policy for PPE provision to primary and social care providers and focusing on the lessons learned. That is all wrapped up in the PPE futures programme with a view to developing a strategy that we hope will be produced by the end of the financial year.

Mary Morgan: We have spoken about the importance of data, and one of Mr Hoy's questions was about how we learned the lessons. Some of that has been about using a dynamic process to apply the early learning from PPE provision across other areas. We have worked closely with Public Health Scotland and our digital services to produce more real-time dashboards and access to data at the point of need so that people can access their own data and have wider communication.

One thing that we learned early on was the importance of communication and shared intelligence of what is happening. With colleagues, the NHS national procurement PPE team developed a daily stock bulletin that went out across NHS Scotland and our partners. We learned from that experience and replicated it in, for example, the testing service and beyond. Latterly, with the vaccination programme, we are using Microsoft Teams channels to improve communications.

Many of the lessons that we have learned are about PPE provision and stockpiling. We need to consider those going forward because we remain in the pandemic response. However, many of the learnings have been dynamic, replicated, tested and innovative. Therefore, we need a bit of time for evaluation and to consider what the situation might look like post pandemic.

Craig Hoy: One of the phrases that has come up is "partnership working". We have talked about the capacity building that has taken place in the domestic PPE industry. Is that sustainable? Does it pivot towards buying domestic product? Are health services internationally replicating that?

Mary Morgan: Partnership working is definitely sustainable and is enabled by our new ways of working. We have found that, using Teams and other mechanisms that we have put in place, it is easier to have wider communication with people and work together with them. I am not sure whether it is sustainable on an international basis.

There is work on procurement strategies. We have a procurement strategy. We need to consider the carbon footprint of our purchasing, and part of that strategy is about buying locally wherever possible. We will continue to work with our partners to ensure that we are sourcing locally to Scotland wherever we can. That is embedded in the published procurement strategies.

Colin Beattie: I will raise an issue that has been touched on already. Incredibly, no PPE was made in Scotland prior to the pandemic, but 88 per cent of all PPE, excluding gloves, is now manufactured here. What kind of support was given to Scottish companies? Was financial support given? Were there already specific skills in Scotland to develop

that? I will pick somebody at random to answer: Mary Morgan.

Mary Morgan: I will again defer to Gordon Beattie, because he has all that detail to hand. We needed to undertake many assessments and we have data on the numbers of people and companies that came forward to offer their services. A considerable number of those went through an assessment process. We work jointly with Scottish Enterprise to carry out quality assurance processes. Clearly, finance and cost were part of the award of those contracts.

Gordon can provide you with more details about the process.

Gordon Beattie: I lost reception a wee bit during your question, Mr Beattie, so I hope that I picked it up correctly.

In relation to our supply chain, we worked closely with our contracted suppliers and known suppliers to try to get access to available stock. Locating and buying that stock was the first phase. It became apparent that the stock was not available once the initial range of purchases had taken place, because everyone in the world was chasing the same stock.

We then had to secure production. We secured some production overseas and it became apparent that we could secure some production in Scotland, so we went to suppliers that we knew. One supplier was an existing provider of masks to NHS Scotland, particularly the specialist FFP3 mask, which had already been fit tested for use by staff and was a preferred product. That gave us a point of reference and discussion with that supplier. It became apparent that the supplier could not access overseas supply chains but could try to onshore the capacity in Scotland. That was the initiating element of talking to the supplier and building capacity in Scotland.

There was a similar process in relation to a number of types of PPE, which led to a really good response from Scottish businesses and to the ability, as has been mentioned, to deliver 88 per cent of our PPE from Scottish sources, with the exception of gloves.

That was the process. We carry out full checks on suppliers' factory standards and their ethical and fair wage standards. We worked closely with Scottish Enterprise colleagues to undertake those checks on the overseas companies that we initially used, so we had a good level of due diligence on the suppliers that we chose.

Colin Beattie: Are there any specialised areas of PPE that we cannot produce in Scotland? Is that why we are not at 100 per cent? I am being ambitious here.

Gordon Beattie: The main one is gloves. Gloves are typically produced in the far east and there is very little capacity for that in Europe, never mind the UK. There are some green shoots of new production in the UK, and we are engaging with companies that are trying to set up businesses here. Options are emerging. At the moment, our PPE predominantly comes from Scottish sources.

Colin Beattie: We are still some way from being able to say that the pandemic is over. How resilient is the PPE supply chain? Is it reasonably secure as far as you can project?

Gordon Beattie: Yes. We have established good relationships through one of our master vendor contract providers, which is able to pull together a supply chain that includes Scotland-based organisations. We continue to have a close relationship with that master vendor and its supply chain to ensure that capacity is in place.

We have secured good stocks of PPE, and as a result we have been able to make a long-term projection, certainly over the next year. However, we are keeping a close eye on what is emerging, working closely with our colleagues on future pandemic modelling and ensuring that future supply orders have been placed and production capacity secured. That work will include discussions with the master vendor as well as with producers in Scotland.

Colin Beattie: Given the changes in the virus that we are dealing with, are we confident about the type of PPE that we are producing or reasonably satisfied that we can secure the PPE that we might need in future? I know that the question is a bit hypothetical, but do we have flexibility to effect the changes in PPE that might be needed?

Gordon Beattie: The answer is yes. We are having close discussions with our supply chain partners, and we know that we can ramp up capacity in, for example, Scotland. We are also having close discussions with our infection prevention and control colleagues so that we can react to any change in guidance that might occur. Our discussions with the supply chain are about maintaining flexibility and having the ability to ramp things up, if required.

Colin Beattie: In his opening questions, the convener talked about export markets. To what extent are such markets not necessarily important but significant in maintaining the viability of the local supply chain? In other words, is the production line geared to Scotland, with just a wee bit of export activity, or does its viability rely on a certain proportion of exports?

I am going to have to pick Gordon Beattie again to answer that.

Gordon Beattie: That is fine.

The fact is that these items are used not only by the NHS or health services, and I guess that the companies in question will have to service a broader marketplace. Obviously, they know their business much better than I do, and we will continue to support them in developing products from which we hope they will get some advantage in exporting to worldwide markets. It is, of course, down to individual companies, supported by Scottish Enterprise and us, to find ways of accessing and being successful in those markets; I know that they are doing that and that they are trying to modernise, improve the efficiency of their equipment and so on in order to make a good-value proposition.

Colin Beattie: As a last angle on this question, I would say that one of the important by-products of all this, apart from the PPE itself, is the jobs that have been created in Scotland. Do we know what proportion of those jobs are permanent and whether that situation is likely to continue?

Gordon Beattie: I cannot tell you what proportion of them are permanent, but I know that about 470 jobs have been created, with a major chunk of them in Dumfries and Galloway. That particular company is investing heavily in production and the workforce and, in doing so, is looking towards future business, exports and so on. It is a great example of the springboard into exports that we have been able to create from the NHS business and, indeed, purchasing from other parts of the United Kingdom.

10:45

Colin Beattie: I have a final question that you might or might not be able to answer. The companies producing PPE have geared up their production lines in order to produce the required quantity and types of PPE. That will probably not continue at the same pace forever—at least, we hope not—and, at some point, it will settle back to what might be called a normal level. I suppose that this is a question about resilience. At the end of all this, will the companies be able to repurpose their production lines so that they can move into other areas, or will it be a case of their having to lay off all the surplus people and reduce production?

Gordon Beattie: I hope that they will be able to repurpose things. As I said, some of the products are used not just in health but in, say, the chemical industry, laboratories and so on.

A good example that I mentioned earlier is that of transparent masks, the production of which is already a repurposing of one of the mechanisms in the business in Dumfries and Galloway. In that case, equipment was repurposed to make a specialist mask that allows the user's mouth to be

seen for those who require to see a person speaking.

The Convener: I call Sharon Dowey, after which we will move to Willie Coffey.

Sharon Dowey: I want to ask about the environmental impact of PPE. The Auditor General's briefing paper recommends that, when developing a future approach to PPE supply and demand, the Scottish Government and NSS should consider how to support suppliers in developing more environmentally sustainable PPE. We have all seen masks lying in the streets, in bushes and in fields. What is the current environmental impact of PPE? What work is the Scottish Government, NSS and partners doing to develop more environmentally sustainable PPE, and what are the challenges associated with that?

I do not know who wants to answer that one. Is Gordon there?

The Convener: I see Gordon Beattie volunteering again.

Gordon Beattie: I will try to answer that question in two parts.

First, with regard to the sustainable future issue, we have through colleagues in NHS Tayside initiated an innovation competition in which we are inviting companies to propose innovative ideas and solutions for sustainable and reusable PPE. That competition will carry on over the next few months, and we expect to see the results of it in our innovation approach in early spring. We have already introduced some items such as launderable gowns, which were brought in quite early on in the pandemic and which take a bit of pressure off having to use the full non-sterile gowns that have to be worn with aerosol-generating procedures. The gowns can be used up to 50 times and can be laundered through our NHS laundries.

As for the environmental impact, there has been, as you will imagine, an increase in the tonnage of clinical waste. In a hospital, tonnage has typically gone up by about 20 per cent, while the percentage for community services, which did not use PPE to a great extent previously, is much higher.

It is not only the tonnage but the volume that is going up; these things might be quite light, but they still add quite a lot to the bulk. In some respects, though, that helps with waste processing. All of our clinical waste goes through our clinical waste processes, and these things reduce the density of waste and make it easier to go through machines such as shredders and through treatment processes. However, the volume has increased. The big 700-litre wheelie bins that we use in hospitals should take about

75kg, but now they are probably taking about 45kg, which in turn increases the amount of movement needed to deal with the waste.

Those things are having a direct impact, and we are working closely with others to understand how we can reduce waste and improve the situation.

Sharon Dowey: Thank you. We will see the results in the spring.

The Convener: As nobody else wants to come in on the environmental impact of the types of PPE that have been manufactured and used, we will move to questions from Willie Coffey.

Willie Coffey: Good morning to everyone on the panel. Given where we are, it is probably too early to gaze ahead beyond the pandemic, but I invite Mary Morgan and Caroline Lamb to say a few words about the remobilisation plan that they have been asked to work on.

Mary, in your opening remarks, you gave us some great examples of the achievements that we have seen, and you particularly mentioned the digital aspect, such as the use of Teams. As part of the remobilisation plan and getting back to business as usual, will we retain some of those good elements of practice which, although they were forced on us, have turned out to be very advantageous for the way in which we and your staff work? Could you give us a flavour of how you see that going ahead? Will we retain the best of what came out as a result of Covid?

Mary Morgan: Yes, absolutely. We have undertaken a programme called future ready, which has had tremendous engagement among our staff internally. For example, yesterday, more than 900 of our staff participated in a future ready question-and-answer session, and staff engagement on working virtually and digitally has been very positive. Around 90 per cent of our staff have told us that they would prefer to continue to work from home into the future. Some of them do not want to work wholly from home but want to work in a hybrid scenario, and we are working towards making that happen for them. We have all the processes in place and we rolled out all the equipment that they need for that. We need to iron some things out, and that dynamic process of risk assessment and learning is on-going, but we see ourselves embracing that.

Clearly, a number of NSS services are inseparable from the people who deliver them. For example, our warehousing and logistics staff need to be in the warehouse in order to make the distribution happen.

A substantial number of front-line Scottish National Blood Transfusion Service staff have had to change their ways of working. We are seeking to harness the best of their learnings, to make

sure that their work environment has improved. For example, out of necessity, the blood transfusion service has brought in an appointments system, and that has had some real benefits, not only for donors, who know when they will go through the process of blood donation, but because we can match appointments for people with specific blood groups to the demand for blood groups across the sector. Therefore, we are keen to embrace the changes that we have experienced and to continue to work in that way, because it has been so positive.

We have also needed to learn how to lead in different ways. Many multinational companies will already have had leadership from a distance, but it is new to us in the NHS and our working environment, and I am amazed and in awe of how staff felt empowered and were able to step forward with their new ideas.

I was speaking to a member of staff the other day, and we will hear more about her story. When she joined us about a year ago, she identified the need for managers to be able to get together and have a community of practice, so she developed a Teams channel, called the management hub, which offers opportunity for training and shared experiences. We also have a water cooler place that opens up in the morning, which people can drop into and have those informal conversations that we might have been missing. Therefore, we are testing and trying out new ways of working that support our staff to deliver our services in different ways.

One of the things that I want to labour is that those ways of working mean that we have been able to be much more accessible to our staff. There is no way that we would have been able to have 900 people in one room for an hour-long question-and-answer session. It has been phenomenal to begin to see staff having that dialogue and answering their own questions as a community.

Willie Coffey: That is pretty amazing, actually. The technology worked with 900 people online at the same time, did it?

Mary Morgan: Yes.

Willie Coffey: You make a great point that we had to develop new skills and expertise pretty rapidly as a consequence of the situation we found ourselves in. Do you feel that, rather than it being a one-off followed by a return to normal, you will be retaining, enhancing and embracing all those skills and that expertise as best you can? I imagine that it will inevitably lead to changes in how you and your staff want to work and that you will be embedding those practices, skills and experience?

Mary Morgan: I completely agree, and that is what future ready is all about: taking a digital-first approach to how we deliver our services and empowering staff to make their decisions. Work is not always about where or when you do it; it is about what you do and what you produce. We are well rehearsed on that and we have teams who are willing to take that forward. It is not just something that we would like to do; it is something that we need to do. Carolyn Low referred to the fact that we need to transform and change because there are financial benefits to this way of working. We no longer have people travelling up the M8 corridor between Glasgow and Edinburgh to attend meetings, so we are more productive with our time and we still have all the benefits of delivering services in a new way. It has also allowed us to collaborate much more freely. The fact that we can all jump on and off Teams meetings and still get work done is really positive. It is not just a wish and it is not just coming from the point of view of our experience; it is something that we need to do for our financial sustainability and indeed for climate sustainability.

Willie Coffey: I recognise that point about travel—I am one of those people who no longer need to run up the M77 and the M8 every day to come to Parliament, which is a huge advantage for me.

Caroline Lamb: I will expand a little bit on what Mary Morgan said and apply it to the context of the broader NHS and social care system.

Some of the key things that we have learned and benefited from during the pandemic are around the use of digital technologies and having timely access to data. Having that daily access to data on what is happening with the pandemic has been critical to informing our decision making and the public messaging.

Members will be aware of the significant pressures that the NHS and our social care systems are experiencing. We announced a £300 million package of investment in October and key to understanding the impact of that investment is having daily data in relation to managing the system. It is about getting information on where we are in relation to which bits of the system—and it is a complete system. We focus on accident and emergency waiting times and they are important, but they are also a barometer of how the rest of the system is working.

Increasingly, we are becoming heavily dependent on data and on using data in a way that helps us to understand what we need to do to make improvements to the system. In the short term, that is working; in the longer term—I am thinking about our NHS recovery plan, which was launched in August—we are looking at some of the digital innovations.

Near Me, the video consultancy system, was available and had been tried and tested pre-pandemic, but it was not really being used. Now, it has been rolled out and it has been enormously successful in enabling people to engage with their GPs and to see their consultants. It has also been used to enable people in care homes to get medical consultations at a point when it was difficult for people to move around and to keep engaged with their families.

In relation to digital technology and innovation, there are lots of things that we can start to deploy to support recovery. Telecare is probably one of the most common care supports across Scotland. As that gets transitioned to digital technology, it provides us with an opportunity to be much more proactive in predicting when people might have issues such as falls, and to therefore be able to take preventative measures that stop people from having to engage with acute services in the first place. It enables them to be supported to stay in their own homes, which is important.

11:00

We have learned a lot about what we have been able to roll out quickly in the face of a threat, and we have learned a lot about how quickly we can pull together existing data sources and join them up. There are also opportunities from the testing network that we have developed. Unfortunately, that is still very much live and in use, combating old and new variants of Covid. We are also, in the background, planning for how we can use that network of infrastructure to support the health of the population. There are some exciting opportunities there.

Willie Coffey: Thank you for those responses and thank you to the staff who have done such a magnificent job for us.

The Convener: And so say all of us. We have a limited amount of time, but I have a couple of short final questions. Mary Morgan and Caroline Lamb, if there are points that you feel as though you have not had an opportunity to make or that on reflection you wanted to make, please do not hesitate to put something in writing to us to capture anything that you think would be useful for our deliberations.

Mary, in your opening statement, you mentioned procurement arrangements and the legal framework and all that. You said that that was all back to normal. As the Public Audit Committee, we are always concerned to make sure that contract notices are uploaded within the legal framework and that they are published within legal timeframes. Could you confirm—with a yes-or-no answer—whether that is now the case?

Mary Morgan: Yes, that is the case. Some of our notices were delayed, which was purely down to the volume of work, the pressures that were placed on teams and the rapidity with which we were doing things, but we are all completely back to normal ways of working.

The Convener: One of the other things that you mentioned in your opening statement was the Louisa Jordan hospital—a 300-bed facility with the option of expanding to 1,000 beds—which was set up in a rapid timeframe. One of the things that occur to me as we approach the pressures of winter is to ask what has happened to that equipment. Where have those beds and the rest of the supporting equipment gone? Can Mary or Caroline answer that question?

Mary Morgan: We maintain an active inventory of all the equipment and all the parts. Some of those pieces have been distributed to hospitals and some of the items are stored in our additional two warehouses. Does Caroline Lamb want to make any further comment on that? If you want further details, Gordon Beattie can let you know exactly what has gone where.

Caroline Lamb: A tremendous job was done in establishing the Louisa Jordan so quickly. I am hugely grateful that we did not have to use it for Covid patients, but it was great to have the facility and we made enormous use of it for out-patients, diagnostics and the vaccination programme. Mary Morgan has answered the question about what has happened to a lot of the equipment. Convener, you would expect me to remind the committee that it is not just about equipment; we also need to have the staffing to support those beds and that equipment.

The context is that we are running a health service that is trying to cope with a lot of backlog and unprecedented demand at our front door while also running the biggest ever vaccination programme in Scotland with the additional acceleration that has just been announced. We need to focus on staffing rather than equipment, although it is great to have that spare equipment.

The Convener: On that note, I will not bring in Gordon Beattie, and we will finish there. Caroline Lamb's point is absolutely correct, and workforce planning is one of the things that the committee concerns itself with on a regular basis. If there are staff shortages or other staff issues, we are keen to learn about those and encourage organisations to address them and keep them as a priority. As Willie Coffey said, staff's efforts have been monumental and they will continue to need to be as we look to the future.

I thank everybody who joined us to give evidence—Mary Morgan, Carolyn Low and Gordon Beattie from NSS and Caroline Lamb and

Richard McCallum from the NHS and the
Government directorate.

11:05

Meeting continued in private until 11:35.

I now close the public part of the meeting.

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