

The autumn lecture presented by Dr Robert Black

Abstract of the Edinburgh Discussion

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The President (D. J. P. Hare, Ph.D, F.F.A): One of the things that we are trying to do in the profession is to make sure that we are as relevant as possible to all the different issues in the world of finance. Part of our programme is to look for as many cross-practice events as possible, and part of that is our series of lectures. We have two lectures a year, a spring and an autumn one. We have had some very eminent speakers and are absolutely thrilled that Dr Robert Black has come to speak to us

When I was looking at Dr Black's CV, it was a glittering array of public service and great oversight and scrutiny of the vast sums of money, which are spent keeping Scotland going. Dr Black started his career in the West in Strathclyde and has gradually moved through various important roles, culminating in being the first Auditor-General for Scotland when the Parliament was set up. The Scottish Parliament spends over £30 billion a year and Dr Black was in charge of overseeing the audit of and reporting on how this was spent. He held that post from February 2000 until 2012.

As actuaries, we are particularly interested in public services, where one of our priority areas is pensions, and linking that with long-term care and other aspects of providing for people in retirement. We have recently set up an environment board and many actuaries are interested in how we can bring our skillset to bear on some of the big policy issues.

Whilst this may not seem like a typical actuarial subject for a lecture, it is very relevant to the sort of profession we want to be and the skills that we have.

Dr Robert Black, C.B.E.: Scottish Independence is the big issue of the day. As a citizen of Scotland, I have nothing special to say on the issue of independence. When you consider the debate that we are having so far in Scotland, we seem to have succeeded in identifying the large number of known unknowns but we are not doing quite so well in converting the unknowns into the knowns. I have no special insight in these matters, so I am going to steer clear of them.

I am going to sidestep the independence referendum per se as there are issues which are not being talked about sufficiently in Scotland at the moment, and indeed in the UK.

There are three sets of issues to touch on. First is the austerity issue. These are the challenges facing all governments about the role of the state in public services and making that fit with the new fiscal realities of the world in which we now live, and posing real challenges to political parties to frame a narrative that fits the new era of austerity.

The second set of issues is that there has, in the short life of the Scottish Parliament, been a remarkable policy divergence between Scotland and England in terms of public service.

There are now noticeable differences in the models of public service delivery, and there are questions to be asked about which model is likely to be more successful.

Finally, whatever the outcome of the independence referendum, whether it is independence, status quo or something in the middle, sometimes called “devo max”, it is going to raise some significant implications for the unwritten informal constitution of the UK. I suspect some people, our millions of friends south of the Scottish border, are sleepwalking into this.

I start with a brief history lesson related to the independence issue. Scotland was a sovereign state until 1603, when King James VI of Scotland became King James I of England and Scotland. We had our own parliament until 1707. Clearly, we controlled our destiny pretty well for most of the last 300 years. The Scottish Office was created in the late 19th century and took responsibility for most of the services, which matter in the daily lives of the people of Scotland.

In effect, the process of formal devolution and the creation of the Scottish Parliament in essence, put a political mandate in place alongside the administrative devolution, which had existed for a long time.

That is rather different from the situation in England. Because of its long history as a sovereign state and, more recently, as a politically empowered, devolved administration, Scotland is rather different from the regions of England, where the administration and governance is much more embedded completely in the UK state. So the nature of the debate about Scotland’s future must be understood in that context.

The Scottish Parliament is relying primarily for its financial resources on the annual grant from the UK government. In 2011–2012, the block grant from Westminster was £30.5 billion. There are other sources of revenue generated within Scotland, for example, council tax revenue, but most of the money comes from Westminster, and most of it is distributed by the Scottish government, on the say so of the Parliament, to public bodies in Scotland, such as the health bodies and local government.

It is calculated on a block and formula system, which is a relatively simple arithmetic formula. We get our share of the baseline budget uplifted by whatever uplift is applied to the UK and based on the population.

What a lot of people do not fully appreciate is that the Scotland Act, which was passed in 2012, is going to devolve significantly more powers for raising revenues to the Scottish Parliament with a new rate of income tax due to be in place by April 2016. This will reduce the UK rate of tax by 10% for Scottish taxpayers, and the grant paid by the Secretary of State for Scotland to the Scottish Parliament will be reduced by a corresponding amount. The Scottish Parliament and government are charged with imposing whatever tax they think is appropriate to plug that gap.

From April 2015, there will be full devolution of stamp duty and landfill tax and the introduction of capital borrowing powers for the Scottish Parliament. There is not much recognition of these realities in the Independence debate at the moment. There are significant devolved powers in the control of the Scottish Parliament and these are going to increase. The issue is whether or not they will be used, particularly in relation to tax varying powers. There has been little sign of that so far.

Since the Scottish Parliament is primarily a spending body and not a taxing body, the focus over the first decade of its life has undoubtedly been how and where to spend more money each year. Then came the spending crunch. The Scottish government had been motoring along quite happily in its top spending gear, 5% real growth per annum, throughout most of the first decade of the millennium. Suddenly, in the space of 18 months it had to crash into reverse.

That is beginning to change the attitude to productivity and performance; but we are starting a long way back on that agenda. Certainly, the political narrative in Scotland is really still only coming to terms with what this means. That is the context of where we are now.

There are significant challenges now facing Scotland with the emphasis upon public services.

Scotland is a small, open economy in a part of the island off the north west corner of the European landmass and is not isolated from global changes. There is growing global competition and growing middle classes in the erstwhile developing nations who aspire to lifestyles at least as generous as we have. We have the long-term unavoidable remorseless pressure on natural resources, which in turn is helping to feed some of the regional conflicts that we see around the world.

As a small open economy, Scotland needs to be aware of that and when talking about the future of public services, affordability and priorities, should be doing it in that context.

There are some major challenges for Scotland's public services. There is an excellent small research institute, called the Centre for Public Policy for Regions, which does some good analysis. They are saying that we are just over half way through the public sector cuts that are going to be required by around 2016 or 2017. They are saying that the reductions in capital spending have pretty well occurred. We have taken the hit there. Most of the reductions in resource spending, that is the day-to-day running costs of the health service, schools, police and other services are still to come, and the process of fiscal consolidation in the UK, as we all know, is taking longer than anticipated because of the anaemic rate of economic recovery.

So the period of austerity in fiscal terms is going to extend well beyond the independence referendum and the next UK Parliamentary election, and probably beyond the next Scottish Parliamentary elections. Some budgets are still being protected in relative terms, particularly in the health service (less so in Scotland). There has been a convergence in per capita spending and health between Scotland and the rest of the UK.

There have been protected areas of service such as the health service, schools spending, pensioner benefits, a swathe of householder benefits and not least the freezing of the council tax. So that led to the Institute for Fiscal Studies (IFS) to say that over the lifetime of the spending review, we are facing cuts of something around 25% or more in all the other public services in real terms, and that is a conservative estimate. That includes the whole of local government.

In one of the publications, IFS uses unusually strong and frank language. It says that cuts of this magnitude are close to inconceivable.

Those are the fiscal pressures. To the extent that the media cover these things, it tends to be on that side, the cuts and resources. It gets worse because of the enormous pressures building up on the costs side.

My colleagues in Audit Scotland emphasised back in 2009 over half a billion pounds, £512 million, would be needed to deal with all the outstanding maintenance issues in the Scottish NHS. That includes the buildings and major items of capital equipment. By December of last year, the Scottish government was supporting a maintenance backlog of £773 million in NHS property, facilities and maintenance.

In 2009, Audit Scotland said that the maintenance backlog in relation to local government assets amounted to £1.4 billion, and that was an under-estimate, because quite a number of councils could not give us the information. Then in 2011, another Audit Scotland report said the condition of Scotland's roads had declined, and the latest estimate for improving the network to an acceptable condition was £2.25 billion. There are also the potential costs associated with the ageing population, with the number of Scot's pensioners increasing by 80% between 2010 and 2060, and most of that increase concentrated between now and 2035.

There are scary estimates about the extra billions needed to pay for the health and social care for all the people who will enter decrepitude at some stage during the next couple of decades.

Free personal and nursing care costs have been rising about 15% a year, and they are in excess of half a billion pounds now. Drug prescribing costs have more than doubled in the last decade to above one and a half billion pounds; and then we have small change, but nevertheless important, issues about free prescriptions and eye tests amounting to about £150 million and rising.

One of the issues that grabs the media headlines is bus passes and whether or not that is a good idea. The Audit Scotland projections, which were not challenged by the government, predict that that will rise to close to half a billion pounds over the next decade; over 1.2 million people out of Scotland's 5 million or so population now have a free bus pass, and that is costing £180 million a year.

There are many other pressures not least, for example, the council tax. There is no such thing as a free lunch or a free service, and while council taxes are frozen, the gap has to be plugged. Again, we are talking about an order of magnitude of £400–£500 million, which has to be found from elsewhere in the Scottish budget.

That is where we are at the moment. Returning to the maintenance budget, much of the backlog has been built up during the years of plenty, during the years of 5% real growth year-on-year. How as a society are we going to cope with this in the era of austerity? It is going to be a challenge. The politicians are not talking about that issue.

When the Scottish Parliament agree a budget there are rarely, if ever, headlines about things like the maintenance crisis in the infrastructure but there are some real political issues here. For example, a poor infrastructure affects potential economic growth. Then there is a major question about the legacy that we are leaving our children and grandchildren. Unless these backlogs in maintenance are addressed, we are passing on a stock of physical assets in worse condition than they are now. Why should future generations have to pay, either in terms of lost opportunity and quality of service, or extra taxation? Why should they have to pay for our excess consumption of physical assets?

There is not only that intergenerational question. If you look at the relatively protected areas of service, they do tend to favour the current generation of older people. Health service spending is significantly biased towards the elderly, and it is protected. Free bus passes are protected. Council tax tends to favour people

who are of more mature years with property; the state pension and the benefits system also favour older people. We need to find a way of engaging in a political debate about some of these challenging issues.

Changing the political narrative to reflect these hard realities is not going to be easy. Political parties not only in Scotland but across the whole of Europe are struggling with this. In most of our living memories, there has not really been the need on a sustained and long-term basis to face issues of retrenchment. Let us assume that the trend rate of growth does not get back to 2%–2½%. Let us say we manage a trend rate of 1% rate of growth in real terms. That is certainly going to make tough choices unavoidable given the ageing population.

In Scotland, there has been a government efficiency programme which has resulted in a contribution to reduce costs. But the size of the cuts that are going to be likely over the next number of years is going to require a fundamental rethink of policies and priorities. The hard reality of that is only now beginning to have an impact.

In welfare spending, we can see some of the pressures coming through with cuts in some of the disability allowances and the notorious bedroom tax.

In the mainstream services, we can also see some effects coming through such as the closure of local libraries and local police stations. In Scotland, it has just been announced that they would like to close something like 70 local police stations.

One important example of a major public policy issue, which is not easy for political leaders, is the health service, since the health service receives some £11 billion out of the £30 billion or so that comes from Westminster in the block grant.

People aged 60 or over are currently about one-quarter of the British population. Half of those have some kind of chronic illness. That proportion is going to rise as more of the population reaches 85 or older. Nearly two-thirds of the patients admitted to hospital are over 65, and around one-quarter of hospital in-patients have a diagnosis of dementia. People over 85 now account for 22% of all days spent in hospital beds.

In a recent report, the Royal College of Physicians argued that under existing service structures, older people are going to be caught in outmoded pathways of care focused on managing single diseases at substantial cost with little coordination of cost to hospitals in the wider care industry.

The College said that to treat patients with complex and multiple conditions, the future of the health service has to rely on some kind of collaborative models of patient care, bringing primary care, secondary care and social services together. The report states:

“In the evolving model, the focus of care should be in prevention or anticipation of acute illnesses, preventative spend and anticipatory spend rather than crisis response; Prevention and anticipation of acute illnesses managed by escalating personal and clinical care in the community rather than defaulting to hospital admission. This is a cause of so much of the pressure on hospital beds and waiting times.

We need to get to seamless care for patients across all settings, using modern IT, which requires investment and redesigning services centred on the patient’s needs in the community”.

Given this straitjacket that is now around our public finances, how are governments going to find the resources for this sort of structural change in service redesign? It requires investment in modern IT, in new training and new kinds of discipline. It is bad enough at the moment trying to persuade politicians to persuade voters about closing old and redundant health buildings. The history of the Scottish acute sectors is full of stories about the problems of getting old buildings closed, for understandable reasons.

Generally speaking, one inhibiting factor making life difficult for our political class is that the quality of public services in Scotland, not least in the health service, is pretty good. Jim Collins, author of “Good to Great and the Social sectors”, said many years ago, “...the good can be the enemy of the great...”, and that is a real issue for public service. Why risk something that is performing adequately for future benefit? That is always the political challenge.

It is understandable that politicians tend to avoid engaging in such matters, given the intense competition of the ballot box, which seems to take place remorselessly with all the election cycles that we are facing, and next year, we have additional competition in the ballot box with the Independence Referendum.

A further challenge that politicians face is in every difficult issue, there is almost certainly going to be an interest group. Strong voices, either for or against, with votes and influence. It is a challenge for all political parties in these times because they are all experiencing rapid declines in their own party membership.

Will Hutton recently wrote an article in *The Observer* in which he said “...parties have been the engine room of democracies. They gather a constellation of interests around a common set of principles that offer a compass for government”.

But with intense pressures on the public economy, who is going to set this vision for mediating the different competing interests in society? Who is going to have the authorisation and the authority to take a strategic long-term view, given the remorseless cycle of elections?

So that is unrelieved pessimism up until now. Let me go outside my comfort zone as the former Auditor General and talk about the glass is half full. We have relatively high spending per capita in Scotland. We are still, roughly speaking, 10% per capita ahead of the UK as a whole. So, we are well resourced.

Most of our public services are of a good standard. We have high standards in public life despite the occasional peccadillo and minor scandal.

The Scottish police service is coming to terms with very dramatic cuts in its budget and is managing that process.

The devolved government in Scotland has implemented some good policies. We have high-profile innovative policies like the smoking ban, which came in first in Scotland, and some very good policies around the early years framework, tackling health inequalities, getting it right for every child, tackling poverty and income inequality, reshaping care for older people and about a sustainable housing strategy.

The problem is that these are worthy well-reasoned words on paper. Turning it into reality is always difficult. Implementation is always the hard part, and in the era of cuts it is going to be more difficult. Nevertheless, we do policy making quite well.

The Scottish government is a recognised world leader in the development of outcome-based policy development but still has a long way to go to link that to budgets.

There is a policy divergence between England and Scotland.

Some of these policy differences had media coverage such as free post-school education in Scotland and the introduction of a range of services like free bus passes. But one of the most significant policy divergences has been around the new public management, which is basically about introducing and sustaining competition and contestability in the public services. All governments at UK level, regardless of their political colour, have continued to develop the new public management.

In Scotland, generally speaking, all administrations have shied away from, or actively discouraged, competition and the involvement of the private sector in many of our core public services.

For example, compulsory competitive tendering used to be around in Scotland but has been abolished in local government for many years. In the early 1980s the residual elements of the internal market, which is now very much a feature in England, were taken out of the equation, with the abolition of the health trusts and the consolidation of everything into the 14 health boards, both strategy development budgeting and service provision.

Comprehensive education still survives in Scotland. We have 32 education authorities; there is no equivalent to the academy and free-school model being developed in England. Another notable example is probably in policing policy. In England, they now have 43 forces with a system of elected police commissioners. At the same time as that legislation was going through Westminster, the Scottish Parliament was passing a Bill which was going to remove the eight police forces in Scotland and create a single Scottish police authority and police force, and the board members appointed by the Scottish government. That is a diametrically opposed policy direction to achieve the same name of a more accountable, more efficient and effective police service fit for modern times.

So, if there is such a thing as a theory of how to improve public services in Scotland, it is not around competition and contestability. It is something to do with a belief in integration and cooperation, and that should prevail rather than competition.

There is a challenge question for the government in England, by this fragmentation through competition and contestability. How is the government at Westminster going to be assured that the public sector will be able to take a joined up, whole systems approach, which is essential if, for example, patients, the elderly and other clients, are going to receive the integrated packages of health and social care which meets their needs if everyone is operating separate silos of delivery in a competitive environment?

This is an important question to ask. There is an equally important challenge question for Scotland going down its somewhat different path. If Scotland is not going to favour competition and contestability generally as a means of reducing cost and promoting diversity and innovation and service redesign, if that is not the way forward, how is the state going to incentivise and drive performance and productivity improvements in service redesign?

I do not have a simple answer. It is a big issue for Scottish society, not least given that we can no longer tolerate inefficiency and poor productivity because of the current austerity programme.

I am in no doubt that competition in ideas, in bringing innovative processes and service into the market for goods and services, should be part of the agenda for improving public services. Competition and cooperation are both required in balance.

To achieve these objectives Scotland has to strengthen the institutional framework. Politicians find it difficult to engage openly in a narrative around this for all the reasons outlined. I have suggested in the recent past that perhaps the Scottish Parliament and us in Scottish society should have some kind of independent body, let us call it a Commission on Performance and Resources, which would be a resource for the Parliament and all the political class which did the hard analytical stuff around some of these issues, and which informed a robust systematic cycle of performance of views of our major public services.

It would remove the “noise” in the system in Scotland around whose numbers are best and provide an objective, analytical foundation of evidence which can then be applied in the political arena.

A body like that should search out and promote service redesign that really works wherever they find it.

An example of some of the difficulties facing Scotland are set out in the Scottish government report on pensions under independence. There are many points in the report which I, and others, disagree with but have not been expressed. At present the report is seen as an authoritative publication.

I am not saying that the report is wrong, but I am saying that we need to look critically at its content and we need to lay it alongside the analysis undertaken by other independent entities of worth and draw some conclusions about that. There is nowhere in Scotland that that seriously happens. There are debates in Parliament but they are not robust evidence-based debates.

All mature democracies need to create some kind of institutional framework which can tell the truth to the public about some of these really big, tough issues which we are facing in Scottish society.

In Scotland, partnerships and cooperation seems to be the way forward in Scottish public life and it is right that we should use partnerships to break down barriers between institutions.

All around Scotland there are partnerships in place, but it is not clear that they deliver added quality or whether they contribute to cost-efficiency. Nevertheless, if this is the chosen direction there are significant issues to consider.

This thought did not occur to me when we acquired a Scottish Parliament. Bringing services closer to Scotland, a better level of debate, fits with a civic society. That is probably a good thing but I had not grasped, that the Scottish Parliament does not deliver anything. It takes money from Westminster, approves a budget, passes laws and speaks for the people of Scotland, but it does not deliver anything. It is quite remote in systemic terms from frontline service delivery. That is a real issue.

For Scotland, there are some big issues there and the next phase of the evolving process of devolution, whether or not we head for Independence, has to be getting the Parliament and the

Scottish government closer to the realities of the pressures at the frontline, of service delivery and looking at some of these really tough issues about joining up health and social care.

We need to create places where politicians can address these issues. After all, it is a privilege as well as an achievement to be elected at the ballot box. You would not expect to run the company after you have passed the job interview; you would expect to go through some kind of training and career development.

I have a high regard for the political class generally, and in the Scottish Parliament, there are some very able young people. A lot of them are career political “animals”. There is no forum where they can go and sit in a safe environment to talk about the issues, to listen to chief executives of the health service or senior people from the royal colleges about what needs to change, to re-engineer our health and care services for the modern era, so they get time to reflect. There is no time to reflect because of the remorseless cycle of elections, budgets and media scrutiny.

I have suggested that we need to create places where it is possible for politicians to come together. We have an excellent higher education sector, some great universities. We have bodies like the Royal Society of Edinburgh (RSE). These bodies could do more to help that happen.

My final theme is the implications of devolution or Independence for the UK state. Independence is going to be a huge break point in the history of Scotland.

Opinion polling seems to be consistently indicating that bar unforeseen events, the chances are that the majority will be for maintaining the link with the UK although we have to recognise that the campaigning has a long way to run before the referendum. Assuming we maintain the devolved model, it seems highly likely that under devolution more powers will come to the Scottish Parliament.

Scotland is relatively well represented in sectors of growth potential which has a comparative advantage, such as energy, medical research, higher education, food and drink, and financial services.

Given these structural strengths, and given we have really strong state institutions in Scotland, which support economic development (which do not exist in the regions of England), one might have reservations about Scottish Enterprise. But we do have a strong body there with a very high powered board which focuses upon the economic development of Scotland.

I expect Scotland’s economy being relatively successful in the coming decades.

We have the Scottish Parliament possibly accruing more powers in the future, including aspects of welfare policy. As Scotland is successful, what are the chances of some other regions of the UK saying, “You know what, we would like some of this. Why is everything that we do is controlled from some kind of central machine in Westminster?”.

The bedroom tax is applied from Westminster, everywhere from Orkney to Cornwall to inner London boroughs. Is that really the best form of government? I am just suggesting that perhaps at some stage in the future there might be a kind of revisiting of how the UK government does its business.

We might see something of a pressure towards a more devolved system, if not entirely federal system, south of the border, and Scottish devolution will have that effect in the longer term.

With a powerful and relatively successful devolved state in Scotland, we will have as a society, UK-wide, to find an answer to that Tam Dalyell West Lothian question which some of you may recall, whereby Scottish MPs can vote on matters which exclusively or mainly affect people in England, and indeed Scottish MPs may, and have been, elected to high office in the UK and hold sway over matters in relation to health, education and community safety in England when the powers are devolved to the Scottish Parliament.

There is also the opposite situation where, let us say a Parliament of a significantly Right Wing persuasion, imposes unwelcome legislation in Scotland, which has voted differently at its own hustings. An example of this from the somewhat distant past, which had severe consequences for the party concerned, was the community charge, commonly called the poll tax. You could see the problems with it before they introduced it.

A future example might be the policy divergences over the European Union between the UK state and the Scottish state.

The legal possibility that Westminster could abolish the Scottish Parliament will, sooner or later, in my opinion, have to be made a constitutional impossibility.

As Lord David Steel put it in a lecture at the David Hume Institute, no self-respecting parliament should rely upon the goodwill of another parliament for its very existence. The Holyrood Parliament is a creature of statute over the long term by the Westminster Parliament and it should not be liable to be abolished unless it so agrees and Westminster should no longer have the capacity to legislate over areas of it.

At some stage this issue about the constitutional settlement and the nature of the unwritten constitution of the UK will have to be revisited.

Finally, small governments with strong governance and strict state institutions, a strong economy, a vibrant intellectual energy and high skill levels, which is a description of Scotland, stand a good chance of showing over the long term that they have a comparative advantage over larger centralised states, not least in rethinking and redesigning how to run public services.

But we need courage to address those difficult issues which I have mentioned. Small governments do have the capacity to join up better how government works and also to have conversations with the citizens about how we jointly face the challenges and the opportunities which lie ahead.

The President: Thank you very much, Dr Black. Is there anybody who would like to ask the first question?

K. A. Morgan, F.I.A. (opening the discussion): If Scotland does become independent, do you think there will be no restriction on immigration into Scotland, so that you could get more young people coming in, to try to solve the problem of the proportions of ageing and young people? Then you could have more young workers in to support the older people.

Dr Black (responding): In the earlier part of my career Scotland had net out-migration consistently over the years. Now we have net in-migration of a significant number. So there is no doubt that it can make a contribution to the Scottish economy. It will require you to work out whether it is going to make a significant impact, because I am not sure that I understand the numbers.

Europe and immigration policy is one of the known unknowns of all of this. If Scotland were independent, and it were applying for membership of the European Union. I would imagine that there will (a) be pressure to sign up to the single currency and (b) there will certainly be pressure to sign up to the Schengen Agreement, which is open borders. Schengen is a hugely controversial issue for all political parties across all of Europe. It is unlikely that a new acceding state would be allowed to opt out of Schengen. All the other nation states are having to cope with open borders.

That leads to an interesting place with regard to the rest of the UK. It is a cheap shot perhaps of politicians to say that there will be borders in Scotland. But there are some real tensions there not least because in Scotland there is recognition that the nature of the immigrant population that we are receiving here, is making a significant contribution to wealth. It is one of the known unknowns as to how that would play out.

All we can do is to recognise the issues which are in there which have not yet been resolved.

Mr G. Devenney, F.F.A: I should like to pick up briefly on the White Paper for pensions, which was published last month. I share your views that there does not seem to be an independent body informing the public, and we desperately need one. It was embarrassing that I had to listen to a lawyer talk about the issues of life expectancy and longevity, on the eve of its publication rather than another specialist such as an actuary.

Were your comments about the need for an independent body, a call to arms to us, the Actuarial Profession?

Dr Black: Absolutely, yes. I was with a small number of Fellows of the RSE, giving evidence to the Finance Committee in Parliament. The RSE has accepted the need for some kind of entity like this. They used the phrase “independent fiscal institute”.

The precise role, powers and accountability of a body like that would require careful thinking. The RSE’s core suggestion to government and the Scottish Parliament is, “Look, you need to recognise the need for something like this, and you need to set up a group that is going to look at it objectively”.

John Swinney, the Finance Secretary, has recognised that if we get an independent government, then we will require something like an office for budget responsibility (OBR)-type function.

The problem I have is that it is yet another one of my known unknowns because the precise institutional solution in Scotland would have to depend on the constitutional result. If Scotland is independent, then it is an open and shut argument that a body is going to be required. In my view, it needs to go beyond an OBR-type body, which is tending to look at the public finances.

There needs to be something which embraces something of the IFS and some real hard analysis of the future shape of public services.

We also have bodies such as the UK Statistics Authority. The core data sets that really matter in the public sector are kite marked by the UK Statistics Authority. Under an independent Scotland, that would be absolutely essential. That would be essential housekeeping to have some kind of body that guaranteed the objectivity, robustness and accuracy of all government statistics.

Will all that be in the White Paper? It might be now because some of us have been raising it with government.

If we think of the more likely outcome on the basis of the polls of existing devolution plus a bit, we need a body that is going to address the issues of productivity and efficiency. We simply cannot sit back and let the situation drift.

Mr C. I. Black, F.F.A.: In your speech you pointed out a number of areas where there was strife. One is addressing potential intergenerational strife between the old and the young.

On the basis of your experience, do you believe our politicians can deliver on that?

Dr Black: Yes, if there is the will power there. I have some experience of this. The Public Audit Committee of the Parliament does not get that much media coverage unless it is tackling some big issue like the Edinburgh trams or the Holyrood building project. The day-to-day bread and butter work tends not to get covered. But over the years I am proud of the performance.

We have presented to Parliament, and Audit Scotland is still doing this, high-quality analytical reports of some of these pressures. These have always had a good and fair reception from the Public Audit Committee.

The difficulty is in getting that translated back into the political system and to influence the manifestoes and the agendas of the political parties. Therefore, the model has to be a body of analysts to do the work, taken to an authoritative body appointed by the Parliament of senior and experienced people who can give the meaning and significance to that. So they take reports to the Parliament which are laying out the reality of what is ahead for us.

In turn, politicians of different parties can say, "We accept that as the baseline from which we now engage in political debate".

It does mean doing things rather differently to what we have done in the past. It is such an important issue because somehow we need to find a way of helping our democracy to work more effectively. It is really difficult, because of this treadmill of elections, to get long-term thinking into the system. Our political class, in my opinion, almost needs some assistance to do some of this.

Mr J. H. Whiteford, F.F.A.: In terms of the scrutiny that you might be able to apply to issues, is it something that should be brought in in terms of a bicameral parliament? Should that scrutiny be applied by maybe senior legislators who have a longer term in office and who bring certain expert skills? At least there would be some element of election associated with that.

The issue you are describing is a sort of nomenclature organisation, so perhaps bringing that elected element to it might be more beneficial.

Dr R. Black: I am not qualified to speak about the bicameral parliament issue. A lot of thought went into the design of the Scottish Parliament, and the judgement was taken that a single chamber was appropriate for a devolved parliament in Scotland, particularly one established under proportional representation.

There is a view that we need some form of revising chamber or check and balance, but that takes you into the really difficult area of what is the authority of that body if it is not directly elected? It has to be directly elected. Then you get into the whole Scottish equivalent of the dilemma over the future of the House of Lords.

The idea of creating a second chamber is a really tough issue. We have elected local government councillors, elected MPs, elected MSPs and elected European MEPs. We are well served in that sense.

My view is the way to get through this is to have an entity which clearly reports to the Parliament in plain English, well-evidenced reports, and then passes that onto the Parliament to consider objectively.

When one speaks of politicians in private, there is a remarkable similarity of view about the challenges which Scotland is facing and what needs to be done. But it is very difficult to unlock the politics without that kind of robust evidence-base which is provided by an authoritative body reporting to and accountable to the Parliament itself but standing slightly to one side.

There are models in other countries. An example I sometimes quote is the Australian Productivity Commission, which is a really interesting body which does some of this work in the Australian government.

Mr K. J. Auld, F.F.A.: Following on, a few weeks ago a Sheriff rather publicly described the legislation which came out of the Scottish Parliament as, to use his words, “mince”. That suggests at the very least some form of expert arrangement that could pull back or reign in some of the political excesses would be almost essential under Independent Scotland.

Dr R. Black: Frankly, I think in terms of a mandatory requirement to have a post-legislative scrutiny conducted by people who are suitably qualified, let us say, four or five years into the operation of an Act to the Scottish Parliament. The point being that that way, you are not cutting across the proper mandate of elected members to make legislation, but you would have some kind of post-legislative scrutiny as to how it was operating.

There is a case for that. In partial defence of the committees of the Parliament, the pre-legislative scrutiny that they apply to Bills is something that they commit a lot of time and effort to. The result may or may not resemble “mince” in some instances, but we do have that system. Some of the legislation is the better for it.

Ms J. Urquhart, M.S.P. (guest): I am a Member of the Scottish Parliament. I was on the Finance Committee at the roundtable discussion that you took part in last week.

I wonder, on the known unknowns, whether there is a deficit in the known unknowns of remaining in the union. That in fact, it is not only about not understanding everything that will happen as a result of Independence, but the result of what might not happen.

A couple of times you have referred to “devo max”. But “devo max” is not an option for people to consider because it is not, and was not allowed to be, on the ballot paper.

Dr R. Black: I think that is a fair point. I could not disagree with that.

The President: I am not sure whether you wanted to say anything more Ms Urquhart?

Ms J. Urquhart: I do recognise much of what Dr Black is saying in terms of external scrutiny. That is something that Parliament itself will have to consider and look at because it is necessary.

These things are not a mystery to people who are in the chamber. They become obvious. I would say that the Parliament is only 14 years old. It is an incredibly new institution. You are right, we do have some extraordinarily good institutions in Scotland.

My observation is that currently they do not engage with the Parliament enough. One example is our universities, where there is some remarkably good research carried out, yet we have not found a good way of engaging with the Parliament in terms of using that research.

You mentioned the free bus pass and can we maintain that? You also mentioned that there was preventative spend. That really comes into that category. What we are seeing in a very short space of time is older people taking advantage of that and living longer and happier out of the health service.

All of these benefits are being provided for good reasons. The biggest spend in the health service is still around alcohol and other abuse of substances. We must not label young people or old people as some kind of great burden on the State.

Dr R. Black: Everyone agrees the concessionary travel scheme is a good thing. It does have the benefit of allowing older people, to get around in the community. However, when it was introduced, more attention and thought should have been given to the variety of schemes that were run by the local authorities before the national scheme came in. There were some really interesting schemes which provided a service to small, vulnerable groups who were not covered by the free bus pass, people with mental health problems and so on. Some of the local authority schemes did that.

Also, it is not necessary to devise a universal scheme that allows relatively well off people to travel from say Wick to Wigtown for nothing. It costs something.

The point made earlier focused on aspects of the quality of the pre-legislative scrutiny, which were not great. In relation to concessionary travel, I am confident that the rapid escalation of the cost was not fully factored in because the financial memorandum prepared by the government of the day was flawed. It was not sufficiently robust and did not have an upside/downside risk analysis in it.

The trouble is that once people get that kind of service, that gift from government, it becomes an entitlement and you cannot put the toothpaste back in the tube. We must get through that era and think of doing this differently in Scotland.

I agree with you absolutely about the Parliament being a relatively young institution. I agree with you about the pressures on the time of politicians is enormous, which is why we need to find other ways of engaging the wider civic society in supporting the democratic process. Creating some of the independent institutional solutions might be part of the answer.

The President: I would love to know what your advice would be to the Scottish Board of the Institute and Faculty which leads our work in Scotland, the research work and the projects which are going to try to help inform the debate. There is more to discuss but we have to “keep to time”. I should like to ask everybody to join me in thanking Robert for a very stimulating address.