



reform scotland  
annual report  
2009/2010

reform  
scotland



# Introduction

In a crisis there are two responses. You can put your head in the sand and let the crisis take its course or you can roll up your sleeves and do as much as possible to overcome it. In the first you are in the hands of fate, in the second you determine your own destiny.

We are in the middle of a serious economic crisis: we have not seen the likes of it in a generation. The UK is running a budget deficit of 13 per cent of GDP or to put it more starkly, the public sector is spending 35 per cent more than it receives. This is higher than any other G20 country, higher than Greece or Iceland. In addition, the budget estimate for debt in 2010 is now over £1 trillion, add this to the UK's pension deficit and contingent debts such as PFI and total UK Government liabilities are approaching 200 per cent of GDP. This compares to the levels of debt reached in the UK in 1843, 1923, 1933 or 1946. It is a serious crisis that will hit businesses, the public sector, the third sector, our communities and jobs.

However, this current crisis is no bigger than those that previous generations have managed to overcome. Rather than waiting for it to blow over and accept that we are likely to emerge a relatively poorer country, we should rise to the challenge and see it as an opportunity to address some of the long term flaws in our current society and public services. This will require us to accept changes to how we run our organisations and relate to our communities. It will require clear direction and strong leadership. We will have to accept that, at least for a time, there will be less money, but we should not see that as necessarily meaning less of the things we care about. We need to be able to do more for less money and that can only be achieved by new structural reform.

Never has the time been better for a Think Tank. We need new ideas for Scotland, well researched and promoted so that the leaders across the community have the evidence for proper debate and to give them confidence to embrace their challenges and accept reform.

Our aim must be to get back to a balanced budget and reduce the total level of public liabilities to below 100 per cent within a decade. However, we must do this in a way that still protects the disadvantaged and vulnerable in our society, ensures opportunity and choice and maintains, if

not improves, our public services and infrastructure. I do not believe that this is an impossible task. But it is one that requires new thinking, clearer vision, communication and bravery - all the hallmarks of good leadership.

To achieve it, we must address the questions that many politicians prefer to avoid such as; how do we ensure that everyone in our society is given greater opportunity to succeed? How do we give more responsibility back to our communities from the very centralised government we experience at present? How do we create more choice, competition and efficiency within our public sector services such as health and education? And how do we reduce the dependence on quangos which represent 43 per cent of public sector spending in Scotland?

I cannot say that Reform Scotland has the answers to all these questions. However, our objective is to try to look at all the areas of the public sector to provide evidence-based recommendations on how we can bring people together to find policies that will work for Scotland.

We have a lot to do and we are incredibly grateful for all those that give us their time, intellectual and moral support and generous donations. We hope and believe that the work we have done and are planning to do, as described in our report below, is making a difference in Scotland. Thank you.

**Ben Thomson**

Chairman, Reform Scotland

# Reform Scotland

Reform Scotland is an independent, non-party think tank that aims to set out a better way to deliver increased economic prosperity and more effective public services based on the traditional Scottish principles of limited government, diversity and personal responsibility.

Our vision is of a free, dynamic and competitive economy in Scotland with educational standards that compare with the best in the world, an affordable and reliable healthcare service, safe streets and a modern and efficient transport system that gets products to market and people to work.

Reform Scotland was established as a company limited by guarantee in January 2008 (No SC336414) and is a Scottish charity (No SC039624). It is funded by individuals, charitable trusts, companies and organisations that share our aims. We have an Advisory Board to agree our strategic goals and philosophical approach and a separate Board of Management (Trustees) to oversee our day-to-day running. Both Boards are chaired by Ben Thomson.

## Advisory Board

- Ben Thomson (Chairman)
- Dan Macdonald (Deputy Chairman, Reform Scotland and Chief Executive, Macdonald Estates)
- Martin Gilbert (Chief Executive, Aberdeen Asset Management)
- Mrs Lesley Knox (Chairman, The Alliance Trust)
- David Milne (former Chief Executive, Wolfson Microelectronics)
- Keith Skeoch (Chief Executive, Standard Life Investments)
- Professor Sir Donald MacKay (former Professor of Economics at Heriot Watt and Aberdeen Universities)
- Alex Hammond-Chambers (former Chairman of Dobbies)
- Donald Macdonald (Executive Chairman of Macdonald Hotels)

## Board of Management (Trustees)

- Ben Thomson (Chairman)
- Dan Macdonald (Deputy Chairman, Reform Scotland and Chief Executive, Macdonald Estates)

- Isobel d’Inverno (Director of Corporate Tax, Brodies)
- Amanda Harvie (Managing Director, The Harvie Consultancy)
- James Aitken (Independent Consultant and Lecturer and former Private Client and Tax Solicitor)
- Graeme Blackett (Managing Director, BiGGAR Economics)
- Andrew Haldenby (Director of Reform)

Gregor Stewart and John Thomson have resigned as Trustees during the past year and Reform Scotland would like to thank them both for their enormous contribution to getting the organisation off the ground as well as their continued support.

### **Political Engagement Forum**

To foster liaison with the main political parties in Scotland, Reform Scotland has a Political Engagement Forum which comprises:

- Wendy Alexander MSP (Labour)
- Nicol Stephen MSP (Liberal Democrat)
- Stewart Hosie MP (SNP)
- David McLetchie MSP (Conservative)

This body does not meet on a collective basis and takes no collective view on public policy issues. Instead, each member of the forum is consulted on an individual basis.

It should be noted that participation in the forum in no way implies support for the policy recommendations put forward by Reform Scotland. The role of the forum is to provide advice and to widen debate.

### **Staff**

Geoff Mawdsley, as the Director of Reform Scotland, is responsible for day-to-day management, Alison Payne is Reform Scotland’s Research Director and Nefertali Deeb is Reform Scotland’s Researcher.

We are enormously grateful to our media advisers, Gordon Hay and Ian McKerron, for their sterling work on Reform Scotland’s behalf and our team of student interns whose efforts have been invaluable over the past year.

## Aims and Activities

In the period up to the next Scottish Parliament Elections and beyond, Reform Scotland's aim is to inform and influence the public policy debate in Scotland by:

- In the short term, influencing the policies of political parties so that ideas to improve the economic environment and public services are adopted and subsequently implemented
- In the longer term, developing a consensus for reform by changing the climate of opinion in Scotland so that people are more familiar with reforming ideas and view them more favourably

Reform Scotland carries out a number of activities in support of its objectives as an organisation.

- Publishing reports and research papers on a range of public policy issues
- Issuing briefing notes analysing developments in public policy
- Producing a free, daily political media summary
- Arranging seminars, lectures and other public events on public policy and related topics
- Promoting its ideas to those directly involved in policy making and to the media to ensure its work reaches as wide an audience as possible

## Reports

Reform Scotland's main activity is the publication of a series of reports setting out policy recommendations in line with our research findings and founding principles as an organisation. In 2008/09, Reform Scotland published six reports:

- *'Powers for Growth'* (March 2008)
- *'Power for the Public'* (April 2008)
- *'Local Power'* (June 2008)
- *'Power to Protect'* (October 2008)
- *'Fiscal Powers'* (November 2008)
- *'Parent Power'* (January 2009)

In 2009/10, a further six reports have been published:

- *'Patient Power'* (April 2009)
- *'Power to Connect'* (June 2009)
- *'Power to Build'* (October 2009)
- *'Fiscal Powers 2nd Edition'* (October 2009)
- *'Democratic Power'* (February 2010)
- *'Voluntary Power Consultation'* (March 2010)

Complete versions of all Reform Scotland's reports are available free from [www.reformscotland.com](http://www.reformscotland.com)

The following are the policy recommendations as they appeared in the six reports published in 2009/10:

### **Patient Power, April 2009** **Policy recommendations**

**NHS constitution:** We recommend that the health service in Scotland is made more accountable to patients through a new constitution which sets out the relationship between the health service and patients. The health service in Scotland acts as an insurer in the sense that it attempts to provide cover for all citizens in Scotland. It should act more like the insurance-based systems in other countries by defining patient entitlement so that patients know to which drugs and treatment they have access. By giving patients legal entitlements, it ensures the system is accountable to them, not government and because the entitlement is set at a national level it should help to overcome the problem of patients in some parts of the country having access to treatment while others do not.

A new NHS Constitution would have the added benefit of clarifying the role of the Scottish Government in health care. Under our proposals, the Government would:

- set the legal and regulatory framework for the health service and ensure that everyone is guaranteed access to defined health care irrespective of ability to pay;
- regulate the commissioners and providers of health care to ensure that they meet approved standards as well as ensuring the supply of essential services such as A&E (this would include the national bodies such as National Services Scotland and the Special Health Boards which are already directly accountable to the Scottish Government's Health & Wellbeing Directorate);

- be the principal funder of health care in Scotland, setting the overall budget for the health service in Scotland which would come out of general taxation and be distributed to the new Health Commissioning Co-operatives on the same basis as at present – a weighted amount based on the Resource Allocation Formula; and
- establish a national tariff scheme for different NHS treatments which sets out the amount that would be paid to hospitals and other health care providers per patient they treat.

**Supplementary insurance:** We recommend that patients should be free to take out supplementary insurance for treatments and drugs not provided by the health service in Scotland without incurring any penalty. The Health Secretary, Nicola Sturgeon, has issued revised guidance to Health Boards on this issue. This new guidance would, under certain circumstances, enable patients to pay for new cancer drugs which the NHS did not provide without turning themselves into private patients. This is a step forward, however there are still too many grey areas. Our proposals would provide much greater clarity by forcing the Government to define exactly which treatments and drugs the NHS will cover. Patients would then know that if they wanted a specific drug that was not covered they would have to pay for it themselves. Allowing a supplementary insurance market to develop, as we propose, would enable far more people to gain access to these new drugs, which are often expensive, than is likely to occur if people have to pay out of their own pockets. The current regulations would continue to apply for those taking out private insurance that covered treatments and drugs available on the NHS.

**Empowering patients:** We recommend that the role of the 14 Unified NHS Boards in Scotland is changed so that they become the champions of patients, with responsibility for commissioning care on their behalf. They would be turned into 14 area-based, mutual organisations known as Health Commissioning Co-operatives, owned by their members and with direct patient representation on their boards to ensure they are run in their interests. They would be statutory bodies, regulated by the Scottish Government or its agencies and receiving their funding from the Scottish Government as at present. They would be specifically charged with ensuring the provision of essential local services such as Accident and Emergency and that patients were given a choice as to the care they received. This would require them to act as 'honest brokers', disseminating all the relevant information on health outcomes and quality of care so that patients and their GPs could make an informed choice based on the performance and quality of care offered by different providers. Money would flow through the system based on the choices of patients with the NHS tariff following the patient to the provider of his or her choice, ensuring that the system was focussed on the needs of patients.

GPs would continue to perform the role of gatekeepers to further NHS-funded health care with Health Commissioning Co-operatives contracting with GP Practices to provide primary care services. The new General Medical Services Contract allows Health Boards to negotiate with GP Practices for additional services. This should be extended with far greater discretion given to the new Health Commissioning Co-operatives to negotiate their own local contracts for primary care services within a national framework set out by the Scottish Government. Other providers should be able to tender for these contracts to provide GP services. These local contracts could be used, amongst other things, as a tool to encourage primary care services which meet local needs or to promote better health. They would be combined with an end to GP catchment areas with patients able to choose a GP practice which suits them. This choice might be based on convenience – such as a surgery providing online booking or late-night opening or simply on a patient’s perception of the quality of service provided. Taken together locally-negotiated GP Contracts and patient choice of GP would reward those practices which served patient needs, fostering innovation and higher standards in the provision of primary care.

**Diversity of provision:** We recommend that the provision of health care is separated from its commissioning to remove any potential conflicts of interest and encourage a wider range of health care providers. This mirrors the situation in comparable European countries which provide universal health care coverage. Over time, the Scottish Government and its regulatory agencies would help existing NHS hospitals and providers of community health care to become independent, not-for-profit trusts along the same lines as in England. Their assets would have to be permanently used to provide health care and they could not be taken over by commercial organisations.

However, there would be no such restrictions on new health care providers with public bodies such as local authorities, voluntary associations and commercial entities all entitled to provide health services. As with existing providers of health care, they would be regulated by the Scottish Government and its agencies which would grant them a licence to provide health services as long as they met the required standards. They would be funded on exactly the same basis as any other provider – on the basis of the NHS tariff and the number of patients they attracted. If they could treat patients for less than the tariff amount then they would be allowed to keep what is left over to re-invest. This would provide an incentive for better service based on innovation as those providing services valued by patients and delivering better health outcomes would thrive while those not providing such a service would receive less money. As part of this move towards greater independence for the providers of health care, hospitals and other health providers should be given the freedom to restructure the services they provide and negotiate their own contracts with staff to reflect local needs and priorities.

**End central targets:** We recommend that all centrally-imposed targets are scrapped giving NHS managers and doctors much greater freedom to use their expertise and local knowledge to improve services for patients. This is an important part of the move away from a system of top-down performance management to one in which the health service and those who work in it are accountable to patients with the service developing in response to their needs and wishes.

## Power to Connect, June 2009 Policy Recommendations

**Central transport hub:** We recommend that a central transport hub is created in Scotland around the airport at Ingliston which would be renamed Grand Central Airport to recognise its role in serving Scotland as a whole. The main railway station in Scotland would also be located here, called Grand Central Station, and, in addition, the trunk road network would be linked to this central hub. This would create the focal point within the central belt of Scotland for a properly integrated network of road, rail and air transportation which would aid the economy of Scotland as a whole.

In a perfect world, a completely new hub would be established equi-distant from Glasgow, Edinburgh and Stirling. However, because there is already an airport at Ingliston with the potential for growth and development our proposal is a more practical option. If journey times to this hub were no more than 20 minutes from Glasgow, Stirling and Edinburgh, it could perform the role as a national transport hub. Glasgow airport could not perform this role as it is sited on the west of the city, the wrong side for easy access to most of the rest of the country.

**High speed rail links:** We recommend that high speed rail links are created from Grand Central Station south to England and west, east and north to link Scotland's main cities of Glasgow, Edinburgh, Stirling, Perth, Dundee, Aberdeen and Inverness. Such an investment in new infrastructure, which would be done in stages, would dramatically reduce journey times and create the potential for a substantial increase in Scotland's trend rate of economic growth through greater integration of the economy. It is essential that high speed rail in Scotland links into the new high speed rail links proposed in England as this would increase access to key markets in other parts of the United Kingdom.

The average cost of high speed rail, according to Ernest Godward, a rail economist from consultants Scott Wilson, is about £30 million - £32 million per kilometre.<sup>1</sup>

<sup>1</sup> Scottish Parliament. (2008) SPiCe briefing; *High Speed Rail: Updated*. Edinburgh: Alan Rehfisch, Scottish Parliament. Available at: <http://www.scottish.parliament.uk/business/research/briefings-08/SB08-43.pdf>

Atkins, an engineering consultancy, published a study of the costs and benefits of two high-speed lines between London and Scotland along the East and West coasts. It found that the lines would cost £31 billion, but provide £63 billion in economic benefits, including helping the regeneration of northern cities.<sup>2</sup>

The cost benefit ratio for a full north/south high speed network is 1:2.0. This cost/benefit ratio compares favourably with major Scottish railway projects already approved by the Scottish Parliament, e.g. The Waverley Railway Line had a cost benefit ratio of 1:1.21.<sup>3</sup>

**Improved trunk road network:** We recommend that certain parts of the trunk road network in Scotland are improved to ensure that it links into the central transport hub that we propose and to reduce journey times by road between the main Scottish cities. This recognises the importance of good road links to the economy in Scotland.

Specifically, a ring road should be built around the central transport hub at Ingliston linking into the M8, M9 and Forth Road Bridge. In addition, there are currently plans to turn parts of the A9 between Perth and Inverness into a dual carriageway and the A96 from Aberdeen to Inverness is going to be upgraded with bypasses and overtaking opportunities. We would recommend that the A96 and A9 are upgraded to complete dual carriageways along their entire lengths as soon as possible.

**Road pricing:** We recommend further investigation of how road pricing schemes might be implemented in Scotland. Evidence from other countries such as Singapore and Norway shows the part that road pricing systems can play in reducing journey times and congestion while improving reliability and having a positive impact on the environment. This justifies further investigation. By charging users directly for the use of road space and the costs they impose on others, road pricing has the potential to provide a more efficient and fair way of allocating road space and addressing the problem of congestion on our roads.

Road pricing schemes should not be seen as a way of paying for the strategic transport projects set out in this report. They are an entirely separate way of improving Scotland's future transportation system. It is also important to note that any Scotland-wide scheme would have to be an alternative to the existing methods of paying for roads through fuel and vehicle excise duties and not an additional means of raising revenue. To bring this about in Scotland, it would be necessary for the Scottish Parliament to have greater tax raising powers as recommended in Reform Scotland's earlier report, 'Fiscal Powers'.

2 Webster, Ben. 'High-speed rail is not a green option, say ministers.' *Times Online* 6 June 2008: Online. [http://business.timesonline.co.uk/tol/business/industry\\_sectors/transport/article4075781.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/transport/article4075781.ece)

3 Scottish Parliament. (2008) SPICe briefing; *High Speed Rail: Updated*. Edinburgh: Alan Rehfish, Scottish Parliament. Available at: <http://www.scottish.parliament.uk/business/research/briefings-08/SB08-43.pdf>

## Power to Build, October 2009

### Policy recommendations

**Cheaper overall funding:** We recommend that on key infrastructure projects the debt element should come from government either at UK, Scottish or local level. This recognises that on key projects risk is not generally transferred to the debt provider and, therefore, projects should take advantage of the lower cost of government borrowing and substantially reduce the cost of funding infrastructure projects. Public sector borrowing could be achieved in a diverse variety of funding options including:

- Straight UK Government borrowing or guarantee.
- Borrowing by the Scottish Government with new borrowing powers as recommended by Reform Scotland in its 'Fiscal Powers' report and by the Calman Commission.
- A Scottish Infrastructure Bank/Pooling arrangement could be formed to borrow on behalf of the Scottish Government and use the existing local borrowing powers in a cooperative borrowing organisation.
- Municipal bonds issued by states, counties, cities or their agencies could finance public sector infrastructure projects such as schools, roads, bridges, utilities, affordable housing, airports, hospitals, and other public facilities and programmes.
- Tax Increment Financing/tolls/road pricing which allow specific taxes, tolls and road pricing in the future to pay for the infrastructure that is created.

**Better management:** We recommend that management skills to deliver innovation and efficiencies are harnessed through competition between the private, third and public sectors. This can be achieved on each project by allowing a management company to bid to operate and manage the project as well as put up the risk capital, usually 10 per cent of the total capital in PPP projects, which can provide an incentive for better performance. The return is agreed with the management company and derived from its equity participation in the project. To achieve this, the public sector would agree a formula with the management company so that the management company receives the benefit of cost savings, efficiencies and additional sources of income in each project. As the equity in a deal is usually only 10 per cent of the total capital this does not have a big impact on the overall project, but does provide an incentive for efficiency as well as causing the management company real loss should they fail to deliver.

Management companies could be public sector vehicles created by local councils or the Scottish Government, mutuals or from the private sector. These could develop specialisations such as managing hospitals, schools or hub services for

local authorities or more general companies that focused on national projects such as high speed trains or bridges. The Scottish Futures Trust could be given the role of deciding which management company is given the tender. This would require those involved to be totally independent of those bidding so that they have no interest in the outcome.

**New project vehicle structure:** We recommend that a project vehicle is formed between the public sector and management company with the public sector providing the land and outline design. Once the equity return is worked out with the management company, this project vehicle would then invite tenders for each of the other aspects of the project such as full design, construction and facilities management. This would ensure that the best providers were chosen for each part of the job and the management company has an incentive to get the best price from suppliers.

The project vehicle could be structured so that there are two types of share: A shares and B shares. The A shares would receive the benefit of the ownership of the underlying public sector asset and any refinancing benefit. These would be held by the public sector with the objective of recycling the returns into more public sector projects in future. The B shares would be held by the management company and would receive a return for achieving purchasing efficiency, managing the overall project to time and cost and ensuring the operation and maintenance of the building is of the agreed quality throughout the life of the project. When rental payments are received, they would be used to pay down the government debt and interest and provide a return to the management company. Any sale of land, refinancing of the land and building at the end of the project would be for the benefit of the public sector.

**Scottish Futures Trust:** We recommend that the Scottish Futures Trust acts as the catalyst and facilitator delivering project structures that combine the following four elements:

- To have a financing cost at close to government borrowing rates;
- To deliver management efficiency and innovation through competition between the private, public and third sectors;
- To have the flexibility to enable the best bits of a bidding process to be put together to form a project that is right for that location and service; and
- To enable the public sector to retain ownership of strategic assets that are vital to the nation.

## Fiscal Powers 2nd edition, October 2009

### Policy recommendations

- **Greater financial accountability:** We recommend that, as a principle, all levels of government in Scotland – UK, Scottish and local – should have the power to raise the bulk of the money which they are responsible for spending.
- **UK-wide solution:** We recommend a new financial settlement, set out in legislation, for the whole of the United Kingdom. This would set out which taxes were UK taxes and what they were funding, separately from taxes and spending for each of the nations of the UK. This would also entail the establishment of a body to represent English interests.
- **Scottish financial settlement:** We recommend that the Scottish Parliament and the UK Parliament become responsible for raising the money they spend. Both levels of government should have the flexibility to set a range of taxes in order to cover their spending, with an agreed starting point which enables them to cover their existing share of spending in Scotland. There are a number of ways of achieving this based on the most recent figures. However, our preferred option would give the UK Government control over all National Insurance contributions; 40 per cent of Income Tax revenues from Scotland; 40 per cent of Scotland's geographical share of North Sea oil revenues; together with additional income from TV licences, passport fees and the National Lottery tax. The Scottish Government would set the rates for all other taxes, except for VAT which would be set at a UK level with 40 per cent of the revenue from Scotland going to Westminster and the remainder assigned to the Scottish Parliament. Crucially, this new financial relationship must be flexible enough to meet any future contingencies or take account of any further devolution of power. For this reason, both the Scottish and UK Governments would be able to change existing taxes or levy new ones they needed to meet their spending commitments. However, they would have to justify such changes to the electorate. This rebalancing of the financial arrangements underpinning devolution would ensure greater financial accountability at all levels of government, is based on the experience of what other countries have found to be practical and is fair to all the constituent parts of the UK.
- **Scottish Exchequer:** We recommend that the remit of the Scottish Government's Finance Department is increased to include most of the powers and responsibilities presently held by HM Treasury and HM Revenue & Customs. The greater fiscal powers of the Scottish Parliament would make this necessary. This new body would be responsible for collecting the revenue from all taxes levied in Scotland on behalf of the UK and Scottish Governments unless specifically reserved to Westminster.
- **Lower, simpler taxes:** We recommend that the overall burden of taxation in

Scotland is lowered and that the whole system is simplified. Our first paper, 'Powers for Growth', set out the correlation between a lower overall tax burden and faster economic growth. Greater financial accountability would provide the scope to create a fiscal framework in Scotland that is conducive to economic growth. It would also provide the opportunity to look at how taxes could be simplified and made more efficient, once the power had been devolved.

## Democratic Power, February 2010 Policy recommendations

**Reforming Quangos:** We recommend that there is a much clearer distinction between what is a function of government and what is done by organisations that are independent of government. To achieve this, in those areas where government does act, it must be clearly and directly accountable to the public for its actions. Therefore, it follows that we should move towards a system in these areas in which government acts directly through civil servants in its own departments wherever possible. There should also be a presumption in favour of functions being performed by local authorities, where appropriate, to ensure accountability to local communities.

Where it is felt that functions would be performed better by an independent body or bodies, government would enter into an open and transparent contractual agreement, against agreed outcome measurements, with genuinely independent organisations to perform that role while providing them with any necessary funding.

This would require an examination of existing, non-departmental public bodies to decide whether their functions should be brought in-house or whether they should be turned into independent bodies.

For example, the functions of Scottish Enterprise, Highlands and Islands Enterprise, VisitScotland and the Scottish Environment Protection Agency could largely be brought back in-house so that ministers or local authorities are more directly accountable for these areas of policy. Any residual technical or advisory functions which required greater independence of action could be performed by independent bodies.

Equally, there are a number of current non-departmental public bodies such as the Scottish Law Commission, Royal Botanic Garden and National Museums of Scotland which could be made independent of government contracting with the government to provide certain services or achieve particular government priorities. Such bodies would be free to negotiate their own financial settlements with the Scottish Government in the future. With regard to health boards, as outlined in our report 'Patient Power', we would recommend that their role is changed so that they become the champions of patients, with responsibility for commissioning care on their behalf. They would be turned into 14 area-based, independent

mutual organisations known as Health Commissioning Co-operatives, owned by their members and with direct patient representation on their boards to ensure they are run in their interests. They would be statutory bodies, regulated by the Scottish Government or its agencies and receiving their funding from the Scottish Government as at present.

This transfer of bodies into the third sector will not only provide greater clarity as to what is a function of government and what is provided by independent bodies, but also help to shift power from government to civil society so strengthening the third sector in Scotland.

## Voluntary Power Consultation, March 2010

### Policy recommendations

**Enhancing the role of the third sector:** We recommend that the role of third sector organisations in the delivery of public services is enhanced to foster greater diversity of provision and choice for service users. Reform Scotland believes that this is best achieved by making public services more responsive to the people and local communities they serve as we have set out in previous publications looking at local government, criminal justice, education and healthcare.

In areas such as education and health, giving people much greater control over the services they receive and choice from a wider range of providers is the key to higher standards. By ending public sector monopolies in the provision of such services and creating a level playing field, third sector organisations would have a much greater opportunity to deliver services. Our proposals to reform health and education would ensure that public funding reflected choices made by people and people will often look to third sector providers because they frequently offer more personalised, compassionate and innovative approaches. So in education, third sector organisations would be able to set up and run new independent, publicly-funded schools for parents looking for an alternative to local authority provision. In healthcare, Reform Scotland advocated all hospitals and community healthcare providers becoming independent, not-for-profit trusts. Such bodies would become part of the third sector and third sector organisations would also be able to set up new bodies to provide healthcare.

All this would expand the role of the third sector in Scotland greatly and create a genuine alternative to public sector provision. However, we need to extend this principle further by ensuring that in other areas of public service provision funding reflects the needs and wishes of people and local communities.

One way to achieve this is to extend the use of Self-Directed Support or Direct Payments. These Direct Payments have been available to disabled people aged 18-

64 since 1997 to enable people to purchase and manage some or all of the care which they have been assessed as needing. This increases the flexibility, choice and control that people have over the care they receive so they can live more independently in their communities. Since 2003, local authorities have had a duty to offer direct payments in place of providing services to all eligible disabled people or to parents of disabled children aged 15 and under. However, the take up in Scotland has been low. We should extend direct payments and personal budgets to provide more appropriate care and better value for money.

The same principle could also be extended to local communities with budgets devolved to local groups provided they could meet national standards of accountability to local people.

**Strengthening civil society:** We recommend that government creates the conditions in which the institutions of civil society will thrive, in particular those independent, third sector organisations in which people voluntarily come together to pursue public purposes or the common good. This requires a long-term shift in the balance of power from the state towards voluntary action which is most likely to be achieved if power in society is decentralised.

Reform Scotland has set out in earlier publications how autonomy and financial responsibility should be devolved from Westminster to Holyrood and from Holyrood down to local authorities. This would enable both the Scottish Government and local authorities to decide whether functions should be performed directly by them, should be publicly financed yet provided by independent organisations under contract or should not involve government at all but be left to the third and private sectors to provide. Diverse approaches across Scotland would be encouraged which should provide a better balance between what is done by government and what is done by the institutions of civil society. This would create the space in which third sector organisations could develop to meet public needs. Such an environment may take some years to create, however, it is the best way of building on reforms which enhance the role of the third sector by giving it a greater opportunity to deliver public services.

Greater financial responsibility for the Scottish Parliament would also give the Scottish Government the power to create a fiscal environment that encourages charitable giving by extending tax reliefs. This would enable third sector organisations to increase their funding from non-governmental sources and so enhance their freedom of manoeuvre. This should be our long term aim as it ensures the essential independence and autonomy of third sector organisations.

## Future Reports

Our aim in 2010 is to complete papers in other key areas of policy so that we can turn these reports into a comprehensive document setting out Reform Scotland's policy ideas and recommendations to deliver increased economic prosperity and more effective public services for Scotland. This will be published before the next Scottish Parliament elections in May 2011.

The following is the list of the subjects we are aiming to cover in future reports:

- Digital Scotland
- Energy
- Further and Higher Education
- Planning
- Drug and Alcohol Misuse
- Youth Justice
- Dentistry
- Special Education Needs
- Housing

## Bulletins

These shorter briefing notes are based on research that Reform Scotland has carried out and enable the organisation to comment on topical policy issues.

Two noteworthy bulletins have been published in the last year. The first, published in April, looked at how educational attainment in Scotland had not improved in line with the increased money spent in the past decade. The second was a response to the final report of the Calman Commission in June which argued that, although they were a step in the right direction, the Commission's proposals would not make the Scottish Parliament properly financially accountable since the Parliament would still only raise a third of its own revenue. Both of these bulletins generated significant media coverage, as did an update of the educational attainment bulletin which was published in November.

## Media Summaries

Reform Scotland continues to publish its political media summary which is sent out by email on a daily basis and is also available free from our website [www.reformscotland.com](http://www.reformscotland.com)

As a free information service designed to encapsulate the debate on the economy and public services in Scotland, it has proved very popular and is currently distributed to over 1,500 people including all 129 MSPs.

## Events/Initiatives

In 2009/10, Reform Scotland sponsored a series of events and initiatives to promote debate on public policy issues including:

- A Spring Lecture by EU Commissioner Charlie McCreevy
- Fringe Meetings at the SNP, Scottish Conservative and Scottish Liberal Democrat Party Conferences with John Swinney MSP, Michael Gove MP and Tavish Scott MSP amongst the speakers
- A Seminar on the Future of the UK Constitution in London with representatives of all the main parties plus Frank Field MP, Lord Wallace and Fraser Nelson
- Reform Scotland's Second Annual Dinner with Liberal Democrat Deputy Leader Vince Cable MP
- An Essay Competition for Young People in Scotland in conjunction with The Sunday Times Scotland with a distinguished panel of judges including bestselling author Ian Rankin
- Sponsorship of a motion in the English Speaking Union's Scottish Schools' Debating Competition involving 80 schools from all over Scotland

In the coming year, further events are planned to promote our policy and research agenda and to stimulate debate on public policy issues including a debate on Reform Scotland's paper on infrastructure involving Professor John Kay and a discussion on Scottish education with a variety of speakers setting out their visions for the future.

## Promotion

Reform Scotland seeks to promote its activities directly to a wide range of people and organisations involved in the public policy debate in Scotland and copies of all our reports are sent to a cross-section of individuals either in hard copy or electronic form. In addition, we actively engage with all sections of the media and provide a wide range of information on our website to ensure that our ideas and policy recommendations reach as wide an audience as possible.

## Political Relations

Reform Scotland continues to liaise with the political parties in Scotland through its Political Engagement Forum, the events that it holds and meetings with representatives of the individual parties. Our work has started to have an impact on the current policy debate in Scotland. For example:

- The debate on fiscal powers for the Scottish Parliament has shifted with all parties now supporting more fiscal powers
- The adoption into legislation of an end to short-term prison sentences which Reform Scotland called for in its report on criminal justice
- A broad welcome for Reform Scotland's recommendations on improving transport links in Scotland, particularly from the Liberal Democrats and SNP
- Adoption of the key elements of Reform Scotland's education paper on greater parental choice by the Scottish Conservatives

Politicians from different parties have welcomed the contribution that Reform Scotland is making to the public policy debate in Scotland:

*'I do not always agree with Reform Scotland's policy ideas but I wholeheartedly welcome their presence on the Scottish scene. Reform Scotland epitomises a lively, provocative thought leader that challenges policy makers of all stripes and none to: think big; think again and think differently.'*

Wendy Alexander MSP

*'Reform Scotland is now the leading think tank in Scotland.'*

Murdo Fraser MSP

*‘Scotland needs a lively constructive policy debate about our future. Reform Scotland provokes, stimulates and encourages politicians to think the unthinkable. And a good thing too.’*

Tavish Scott MSP

*‘Reform Scotland is providing an excellent forum for a real debate that we need here in Scotland.’*

John Swinney MSP

## Stakeholder Relations

Reform Scotland has continued to engage with a variety of other organisations with an interest in the public policy debate in Scotland over the past year including the Scottish Futures Trust, the Scottish Social Enterprise Coalition, the Scottish Council for Voluntary Organisations, Scotland’s Colleges and Scottish Enterprise.

Representatives of Reform Scotland have also participated in various conferences during the past year, including the Holyrood Conference on Education in Scotland, the annual COSLA Conference and The Scotsman conference on the future of Edinburgh.

## Media Coverage and Relations

Reform Scotland continues to enjoy a high media profile, with all of our reports published in 2009/10 receiving substantial media coverage. This is vital to the successful promotion of our work and ensures that our policy ideas reach as wide an audience as possible.

Reform Scotland or its representatives have appeared in the print and broadcast media over two hundred times since the organisation was established. Examples of some of the coverage we have received this year are detailed below.

**“Think tank produces a radical proposal to replace PFI”**

The Herald, 16 October 2009

**“Let voluntary sector run more services”**

The Times, 1 March 2010

**“Greater Holyrood powers required  
Think tank calls for more fiscal control”**

Press and Journal, 19 October 2009

**“Virtually all 115 Scots quangos should be scrapped”**

The Scotsman, 9 February 2010

**“Scotland needs ‘Grand Central’ transport centre, says think tank”**

Daily Telegraph, 26 June 2009

## Website

Reform Scotland’s website at [www.reformscotland.com](http://www.reformscotland.com) contains information on all of Reform Scotland’s activities. There has been considerable interest in our work with around 1.5 million web hits since Reform Scotland was launched.

In addition to the reports which Reform Scotland produces itself, we continue to publish papers by outside commentators on the policy forum section of our website. These are articles, papers and speeches by various authors on a range of public policy matters that relate to Scotland and the aim is to provide a platform for ideas which might not be published elsewhere and which stimulate debate on Scotland’s future.

Two very interesting papers by independent authors were recently published on our policy forum:

- *A New Source: Finding a better way to fund investment in Scotland’s water industry.* This paper by Graham Bell and Tom Miers was published in January 2010 and proposes a new way to reform Scottish Water which could save the Scottish Government up to £350 million a year.
- *The UK Government’s proposals for the future financing of devolved government in Scotland: an economic assessment.* This paper by Professor Drew Scott and Professor Andrew Hughes Hallett was published in February 2010 and offers a critical appraisal of the proposals published by the UK Government in November 2009 which followed on from the recommendations of the Calman Commission report.

## Financial Review

Reform Scotland is an independent, autonomous organisation which does not accept commissions to undertake work, nor does it accept money from government organisations. This means that we can address issues free of political constraints and enables us to communicate our ideas to people representing all political perspectives in order to build a consensus for reform.

Achieving this requires support from people and organisations that share our objectives.

### Individuals

Reform Scotland greatly values personal contributions to support its work. There are currently two levels of support.

Supporters donate a minimum of £100 a year and automatically receive all of our publications as well as invitations to many of Reform Scotland's events.

Sponsors donate a minimum of £1,000 a year and receive all of our publications plus invitations to any events organised to enhance our policy and research programme. In addition, Sponsors have the opportunity to become more closely involved in the work of Reform Scotland and to be credited in related publications.

Amounts of less than £100 are welcome and will be treated as a donation. This can be given by cheque or by credit card through the 'support us' section of our website.

### Corporate Organisations

Reform Scotland is keen to involve corporate organisations in our work. Although we do not accept specific commissions for our reports, corporate organisations can become Sponsors of Reform Scotland's activities on the same basis as individuals.

In addition, we are keen to work with corporate organisations on events which enhance our policy and research programme or the wider public policy debate in Scotland.

## Accounts

In the financial year 2009/10, Reform Scotland raised an estimated £205,559 and we are extremely grateful to all those who have made donations which have enabled us to carry out the activities outlined above.

A summary of Reform Scotland's financial position is below.

### Reform Scotland income and expenditure account for the financial year ended 31 March 2010 (estimate)

<b>Incoming resources</b>		
<b>From charitable activities:</b>		
Donations	179,892	
Gift Aid recovered	25,667	
<b>Total income from charitable activities</b>		205,559
Other income and cash availability		25,000
<b>Total income and cash availability</b>		230,559
<b>Resources expended</b>		
<b>Total resources expended</b>		188,660
<b>Net movement in funds</b>		41,899

March 2010

Reform Scotland is a charity registered in Scotland (No SCO39624) and is also a company limited by guarantee (No SC336414) with its Registered Office at The Executive Centre, 7-9 North St David Street, Edinburgh EH2 1AW.

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