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News release

Strictly embargoed until 00:01 hours, Thursday, 14 June 2012

Mergers need strong leadership from the outset.

Public sector mergers need strong leadership from the outset to ensure important decisions are made about the new organisations' vision, structure and plans.

An Audit Scotland report published today, *Learning the lessons of public body mergers*, looks at nine mergers that took place between 2008 and 2011 under the Scottish Government's programme to reduce the number of national public sector bodies by 25 per cent. During this audit, Audit Scotland carried out detailed examinations of four mergers; the creation of the Care Inspectorate, Creative Scotland, Marine Scotland and Skills Development Scotland.

The report finds that most recent mergers happened on time, but that permanent leaders were not always in place early enough. There were gaps in the planning for new organisations' later development, some organisations were operating for too long without a clear vision and plan, and other important decisions were delayed.

It is not possible to confirm the total costs and savings of mergers to date. However, the four mergers Audit Scotland examined in depth have reported costs of £42 million so far, which is more than the £30 million initially forecast. Although costs have been higher than expected, these mergers have led to staff restructuring and significant reductions in staff costs.

With 60 per cent of mergers happening in the past two years, it is too early to see performance improvements. Looking ahead, merging bodies need greater clarity about the intended benefits of merger, their current performance and how to measure whether this improves.

Auditor General for Scotland, Robert Black, said: "Scotland's public sector has undergone significant reform in recent years. There are also major changes to public bodies ahead, such as the creation of single national police and fire and rescue services and possible mergers of further education colleges. It is important that all involved with such changes learn the lessons from recent mergers. To help with this, we have published a good practice guide which draws on the findings of our review of recent mergers.

"The experience of recent mergers has shown that it is vital to have strong leadership in place as early as possible. This means important decisions can be made and the new organisation's plans and structure can be developed in advance of the merger. This has been a weakness in recent mergers, which has resulted in new bodies operating without a clear vision and with important decisions on matters such as goals, business plans and staffing being delayed."

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Notes to editors

1. In 2007, the Scottish Government set a target of reducing the number of national public sector organisations by 25 per cent by 2011. By December 2011, the number of bodies had decreased by 28, or 14 per cent, as a direct result of the Scottish Government's programme. This included 18 mergers, which either created new organisations or transferred bodies into existing ones. Our audit reviewed nine of these mergers (four in detail). It looked at how well they were planned and implemented and assessed to what extent they have delivered the expected savings and other benefits.
2. This audit is published in two parts. The first is a review of recent mergers and the second is a good practice guide. This reflects the aim of identifying and distributing the lessons learned from recent mergers to inform such moves in the future.

3. All Audit Scotland reports published since 2000 can be found on Audit Scotland's website www.audit-scotland.gov.uk
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. Audit Scotland has prepared this report for the Auditor General for Scotland.
- The Auditor General is responsible for securing the audit of the Scottish Government and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament.