

FINANCE COMMITTEE

AGENDA

17th Meeting, 2001 (Session 1)

Tuesday 26 June 2001

The Committee will meet at 10.00 am in Committee Room 1 to consider the following agenda items:

1. **Committee Business:** The Committee will consider whether to take agenda items 4, 5 and 6 in private.
2. **Proposed Amendment to Contingent Liability:** The Committee will consider a minute from the Scottish Executive Health Department concerning Scottish National Blood Transfusion Service Protein Fractionation Centre clinical trials (SE 2001/127) and will take evidence from—

Dr Aileen Keel, Deputy Chief Medical Officer

3. **Proposed Contingent Liability:** The Committee will consider a minute from the Minister for Transport & Planning concerning Scottish Transport Group Pension Fund Surplus; Indemnities to be granted by Scottish Ministers to the Trustees of the Scottish Transport Group Pension funds (SE 2001/131) and take evidence from—

W R J McQueen, Head of Division, Scottish Executive Development Department, Transport Division 2

D N G Reid, Head Division, Scottish Executive Transport and European Finance

M A Sinclair, Divisional Solicitor, Scottish Executive Development Department

4. **PFI/PPP Inquiry:** The Committee will consider a paper from its adviser, Professor Peter Jackson.
5. **Voluntary Sector Funding:** The Committee will consider a draft submission by the reporters.

6. **CIPFA Conference:** The Committee will consider a proposal for the Convener to attend the CIPFA Scotland conference on three-year budgeting.

Callum Thomson

Clerk to the Committee

Room G.6, Committee Chambers

Tel. 0131 348 5215

Email: callum.thomson@scottish.parliament.uk

The papers for this meeting are:

Agenda item 2

Minute from the Scottish Executive Health Department (SE/2001/127)	FI/01/17/1
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Agenda item 3

Letter of 21 June from the office of the Minister for Transport and Planning	FI/01/17/2
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Minute from the Minister for Transport and Planning (SE/2001/131)	FI/01/17/3
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Note from the Minister for Transport and Planning	FI/01/17/4
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Agenda item 4

Paper by Professor Peter Jackson	PRIVATE PAPER
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Table detailing PFI/PPP submissions received	PRIVATE PAPER
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Submission by Dr Allyson Pollock	PRIVATE PAPER
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Submission by STUC	PRIVATE PAPER
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N.B. Given the number of written submissions, all others are issued electronically only

Agenda item 5

Draft submission by Donald Gorrie MSP & Adam Ingram MSP	PRIVATE PAPER
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Scottish Executive Consultation Document: <i>Review of Funding for the Voluntary Sector – Direct Funding from the Scottish Executive</i>	PRIVATE PAPER
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MINUTE FROM THE SCOTTISH EXECUTIVE HEALTH DEPARTMENT**CONTINGENT LIABILITY (SE/2001/68): AMENDMENT TO TABLE OF CLINICAL TRIALS OF BLOOD PRODUCTS PRODUCED BY THE SCOTTISH NATIONAL BLOOD TRANSFUSION SERVICE PROTEIN FRACTIONATION CENTRE**

1. Minute SE/2001/68 (copy attached) informed the Parliament of the contingent liability for the clinical trial of blood products produced by the Scottish National Blood Transfusion Service. The Finance Committee considered the minute at its meetings on 6 and 13 March and the Convener subsequently wrote to the Minister confirming that the Committee had approved the terms of the minute.
2. Attached to that minute was a table indicating the clinical trials proposed for twelve months from February 2001. A situation has arisen however because of the world-wide shortage of recombinant products (synthetic blood clotting factors) whereby 4 Scottish Haemophilia Directors want to include some of their patients (up to 15 patients) in a 6-month clinical trial of a new SNBTS heat-treated clotting factor concentrate. The product *Liberate HT* is currently under clinical trial in Poland as it was not possible to recruit sufficient suitable Scottish patients to fulfil all of the requirements of the trial. The trial in Poland is covered by commercial insurance and was not therefore included in the table presented to Parliament.
3. We would therefore like to draw the Committee's attention to the attached amended table which now includes details of the *Liberate HT* trial. It is not anticipated that this will significantly change the nature or amount of the liability.
4. Dr Keel, Deputy Chief Medical Officer, will attend the Committee's meeting on 26 June to answer any questions the Committee may have about this amendment.

Scottish Executive Health Department
June 2001

MINUTE FROM THE SCOTTISH EXECUTIVE HEALTH DEPARTMENT
CONTINGENT LIABILITY: CLINICAL TRIAL OF BLOOD PRODUCTS
PRODUCED BY THE SCOTTISH NATIONAL BLOOD TRANSFUSION
SERVICE PROTEIN FRACTIONATION CENTRE

1. When a Department of the Scottish Executive proposes to undertake a contingent liability in excess of £1m, for which there is no specific statutory authority, it is appropriate to report the circumstances to the Scottish Parliament. This minute gives particulars of such a liability and explains the circumstances. Under arrangements between the Finance and Audit Committees and the Scottish Executive on in year changes to expenditure allocations, the Finance Committee should approve, or propose an amendment, within 20 days. Accordingly the Scottish Executive undertakes to take no action during this time.

2. Clinical trials of new and safety-enhanced products produced by the Scottish National Blood Transfusion Service's (SNBTS) Protein Fractionation Centre is an essential part of the process for the SNBTS to obtain a licence for each product. In 1993, the Scottish Home and Health Department informed the Westminster Parliament that it intended to enter into a contingent liability (with prior Treasury approval) to pay any legal and other costs of those medical staff working on the clinical trials approved by the Department unless there was negligence on the part of these staff or it was demonstrated that they had not followed the written protocol for the trial. The resulting liabilities encompassed the cost of any damages claims from patients arising from the said clinical trials of the said new products. It is not possible to quantify the costs, which might arise from these liabilities. A total of 30 clinical trials have been approved since 1993 and 125 letters of indemnity have been issued. No claims have so far been received.

3. Clinical trials form an inescapable part of SNBTS business. Scottish Ministers are of the view that such trials could not proceed without indemnification. In terms of the Scotland Act 1998, functions in relation to supplies of blood (and blood products) have devolved to the Scottish Ministers. Accordingly, the Scottish Ministers consider that the 1993 Westminster Minute is no longer relevant. It is now appropriate to inform the Scottish Parliament that contingent liabilities of this type will be entered into.

4. The purpose of this Minute is therefore to make Parliament aware of the liability and to provide details of the trials proposed during the next twelve months (see attached Annex) for which indemnities may be granted. Departmental approval for the trials of new products will be given on a product by product basis on an assessment of the need for the product and the risk of any ill effect. All of the trials will have prior approval from the Medicines Control Agency under the Clinical Trials Exemption Scheme and are also subject to Ethics Committee approval. The indemnity is of a standard type given in the course of trials conducted on behalf of pharmaceutical companies.

Scottish Executive Health Department
February 2001

List of Planned SNBTS Studies (as amended 8 June 2001).

Annex to SE/2001/68

Product	1.1 Study Title/ clinical area / Rationale	Details of Study	Planned start date
<p>Fibrin Sealant (unlicensed)</p> <p>Clinical Studies have already been conducted on this product – further data required.</p>	<p>2 FS-011 – An Open Clinical Study To Assess The Efficacy And Safety Of SNBTS Fibrin Sealant In Elective Liver Surgery</p> <p>Study of the ability of Fibrin Sealant to restore haemostasis in patients undergoing liver surgery Patients will be monitored for adverse events and followed up for virus safety</p>	<p>Aim to recruit 25 patients Expected Duration: 9 months Location: Birmingham, due to it being a centre of excellence, and a 'last line' treatment centre (i.e. patients are referred there from a range of clinics that cannot treat them). Scottish centres are involved in other SNBTS studies.</p>	<p>March 2001</p>
	<p>FS-015 – Influence of Fibrin Sealant on biliary leakage after Liver Surgery for hepatic malignancy</p> <p>Biliary leakage occurs in 25% of patients undergoing this type of surgery. This complication leads to an increase in morbidity and the need for further surgical intervention. This study aims to demonstrate that Fibrin Sealant reduces the incidence of biliary leakage. Patients will be monitored for adverse events and efficacy of treatment</p>	<p>Aim to Recruit 90 patients Expected Duration: 3 years Location Dundee only</p>	<p>March 2001</p>

<p>Fibrin Sealant (cont'd)</p>	<p>FS-016 – Occurrence of thrombocytopaenia after use of Fibrin Sealant for cryoablation of hepatic malignancy Liver metastases are often difficult to treat surgically, and are treated by freezing the malignant tissue. However, this can result in significant blood loss, and also activation of the coagulation cascade. This leads to significant morbidity and mortality. This study aims to demonstrate that Fibrin Sealant reduces the incidence these complications. Patients will be monitored for adverse events and efficacy of treatment.</p>	<p>Aim to study 20 patients and compare with 20 uncomplicated procedures Expected Duration: 18 months Location: Dundee only</p>	<p>March 2001</p>
<p>UV Albumin (unlicensed) This is an improved version of the already licensed ALBA product, and incorporates an additional virus inactivation step during manufacture.</p>	<p>UVA-001 A Study to Evaluate the Efficacy and Immediate Safety of a 4.5% Human Albumin Solution Incorporating a UV Virus Inactivation Step Manufactured by the Scottish National Blood Transfusion Service To evaluate the tolerability, efficacy and safety of a 4.5% Human Albumin product incorporating a UV virus inactivation step in patients requiring therapeutic plasma exchange Patients will receive a single or repeat infusions over the six month period of the study as deemed necessary by their consultant to treat their clinical condition Dosage schedules will be equivalent to those licensed for SNBTS ALBA 4.5% (Human Albumin Solution 4.5%) (PL3473/0031) Patients will be monitored for adverse events and followed up for virus safety</p>	<p>Aims to recruit 20 patients and follow up for 6 months. Expected Duration: 18 months Study to be carried out in several centres within Scotland</p>	<p>March 2001</p>

<p>3 S/D HT DEFIX (unlicensed) This is an improved version of the already licensed DEFIX product, and incorporates an additional virus inactivation step during manufacture.</p>	<p>DF-001 A study to assess the safety and efficacy of a new double virus inactivated prothrombin complex concentrate (S/D DEFIX) manufactured by the Scottish National Blood Transfusion Service in patients requiring reversal of oral anticoagulant treatment</p> <p>To evaluate the safety and efficacy of a double virus inactivated prothrombin complex concentrate (PCC) in patients requiring reversal of oral anticoagulant treatment</p> <p>Single infusion based on 50IU/kg bodyweight with monitoring of coagulation. Further infusion(s) if necessary to achieve normal values of prothrombin time. Dosage schedules equivalent to currently licensed single virus inactivated PCC (PL 3473/0008)</p> <p>Patients will be monitored for adverse events and followed up for virus safety.</p>	<p>Aims to recruit 20 patients and follow up for 6 months.</p> <p>Expected Duration: 18 months</p> <p>Study to be carried out in Scotland</p>	<p>March 2001</p>
<p>Liquid Immunoglobulin (unlicensed) This product is a new formulation of the existing licensed product Human Immunoglobulin</p>	<p>LIG-003 A study to assess the efficacy and immediate safety of a liquid formulation of intravenous immunoglobulin manufactured by the Scottish National Blood Transfusion Service in patients where treatment of their medical condition with IVG is deemed appropriate by the consultant in charge.</p> <p>To assess the efficacy and safety of SNBTS Liquid Immunoglobulin administered by the intravenous route.</p>	<p>Open study to be carried out in about 5 sites within Scotland.</p> <p>Maximum 40 patients to be recruited and follow up for 6 months.</p>	<p>March 2001</p>

for intravenous use.	Patients will be monitored for efficacy, safety, adverse events and followed up for virus safety.		
<p>Human Normal Immunoglobulin (unlicensed)</p> <p>This is an improved version of the already licensed Human Normal Immunoglobulin product, and incorporates an additional virus inactivation step during manufacture.</p> <p>One study (VIM-001) has already been conducted on this improved product, but the planned study will examine a</p>	<p>SCIG-001 A study to assess the efficacy and safety of a pH4 treated Human Normal Immunoglobulin preparation manufactured by the Scottish National Blood Transfusion Service when administered by the subcutaneous route</p> <p>To assess the efficacy and safety of SNBTS pH4 Treated Human Normal Immunoglobulin administered by the subcutaneous route in-patients with primary immunodeficiency syndromes.</p> <p>Patients will receive regular infusions over the 6-month period and will have their trough serum IgG levels monitored and wellbeing assessed throughout. They will also be monitored for adverse events and followed up for virus safety.</p>	<p>Aims to recruit 15 patients and follow up for 6 months.</p> <p>Expected duration: 18 months</p> <p>Study to be carried out across the UK</p>	<p>March 2001</p>

<p>different route of administration.</p>			
<p>Liberate HT (unlicensed)</p> <p>Two studies on this product are currently ongoing in Poland. The previous studies are conducted in Poland as there were insufficient patients in Scotland on plasma derived product. Most Scottish patients were receiving recombinant factor VIII.</p> <p>However, due to the acute shortage of</p>	<p>HP-021. A Safety surveillance study of Liberate HT in Previously Treated patients with Haemophilia A.</p> <p>The aim of this study is to assess the safety and tolerability of this product since it incorporates an additional virus inactivation step. The addition of this inactivation step should further reduce the risk of virus transmission to the patient. However, it is also necessary to check that this additional inactivation step does not lead to an increase in the risk of patients producing antibodies (inhibitors) to this product.</p>	<p>The process of identifying consultants is ongoing.</p> <p>It is anticipated that this study will run in not more than 4 centres.</p> <p>Expected duration 6-9 months</p> <p>Study to be carried out in Scotland</p>	<p>June 2001</p>

<p>recombinant factor VIII, some patients in Scotland are being transferred back on to plasma derived product.</p>			
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SCOTTISH EXECUTIVE

Minister for Transport & Planning
Sarah Boyack MSP

Victoria Quay
Edinburgh EH6 6QQ

Mike Watson MSP
 Convener
 Finance Committee
 Scottish Parliament
 George IV Bridge
 EH99 1SP

Telephone: 0131-556 8400
scottish.ministers@scotland.gsi.gov.uk
<http://www.scotland.gov.uk>

21 June 2001

Dear Convener

SCOTTISH TRANSPORT GROUP PENSION FUND SURPLUS: INDEMNITIES TO TRUSTEES

As you know, Scottish Ministers have undertaken that before granting any guarantees or indemnities in excess of £1m, proposals will be presented to the Finance Committee. I attach with this minute a note giving particulars of the indemnities we propose to issue to the Trustees of the Scottish Transport Group Pension Funds in order to pave the way for the wind-up of these funds and, as a consequence, the transfer of these funds to the last employer, the Scottish Bus Group. The Minister would be very grateful if your Committee could consider this note, at your earliest convenience, and approve the indemnities.

The parent company of the Scottish Bus Group, Scottish Transport Group, which is a company wholly owned by the Scottish Ministers, will then wind up the Scottish Bus Group, thus transferring the surplus assets of the Scottish Bus Group (including the pension fund surpluses) to the Scottish Transport Group. In turn, Scottish Ministers intend then to seek the approval of the Scottish Parliament for a Dissolution Order to secure the wind-up of the Scottish Transport Group which will involve ultimately bringing its assets into the Scottish consolidated fund. From these assets and in accordance with the First Minister's announcement of December 2000, ex-gratia payments, in total amount of up to £100m, will be made to the former scheme members.

Full details of the categories of beneficiary and the basis of distribution will be presented to the Scottish Parliament at the time the Dissolution Order is sought to wind-up the pension funds.

JESSICA SMITH
Private Secretary

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AGREEMENT and INDEMNITY

among

SCOTTISH TRANSPORT GROUP, 74
Rose Street Lane North, Edinburgh ("STG")
of the first part

and

SCOTTISH BUS GROUP LIMITED, 74
Rose Street Lane North, Edinburgh ("SBG")
of the second part

and

THE TRUSTEES OF THE SCOTTISH
TRANSPORT GROUP TRANSPORT
OPERATIVES PENSION SCHEME being
IAN SUTHERLAND IRWIN C.B.E. of Ten
Moray Place, Edinburgh, ARCHIBALD
DOUGLAS of One Hundred and Ninety
Eight Colinton Road, Edinburgh, JOHN
STARK of Ninety Four/Four Whitehouse
Loan, Edinburgh, ROBERT SOMERVILLE
TEMPLE of West Gables, One Hundred and
Eight Ravelston Dykes, Edinburgh and
RONALD SWIFT MCNEILL C.B.E. of
The Mallards, Fearnan, Aberfeldy
("the Trustees") of the third part

WHEREAS:-

- (A) By an Interim Trust Deed dated 15 April 1974 between Scottish Bus Group Limited, Caledonian MacBrayne Limited and David MacBrayne Limited of the first part and William Morrison Little, William Letham Sword, James Watson Tweedie, Ian Sutherland Irwin and Norman John Derek Whittle of the second part followed by a Definitive Trust Deed dated 26 September 1977 between Scottish Bus Group Limited, Caledonian MacBrayne Limited and David MacBrayne Limited of the first part and William Letham Sword, Ian Sutherland Irwin,

Norman John Derek Whittle, Arthur Miles Newman and Thomas Marsden of the second part a retirement benefits

scheme known as the Scottish Transport Operatives Pension Scheme ("the Scheme") was established.

- (B) At divers times the trust deed and rules of the Scheme have been amended and the Scheme is currently subject to the terms of trust deeds and rules dated 26 September 1977, 24 August 1983 and 18 November 1991.
- (C) The Trustees are the current trustees of the Scheme.
- (D) SBG is a wholly-owned subsidiary company of STG.
- (E) The Scheme is in the process of being wound up.
- (F) Provision has been made for beneficiaries of the Scheme either by:-
 - (i) the payment of transfer values with beneficiaries' individual consents to the pension arrangements provided by the new owners of employers;
 - (ii) the payment of transfer values to individual personal pension schemes;
 - (iii) securing on a money purchase basis benefits in the names of individual beneficiaries with Insurance Companies individually chosen by the beneficiaries;
 - (iv) securing benefits through the purchase by the Trustees of policies with Royal Life Insurance Limited ("Royal Life") for remaining beneficiaries; and funds remain in the hands of the Trustees.
- (G) The Scheme is now being determined and wound up in terms of The Scottish Transport Group (Pension Schemes) Order 1996 (SI.1996 No. 1900 (S.152)).
- (H) It has been agreed by STG, SBG and the Trustees that STG and SBG and their successors will deal with all administrative matters in connection with the Scheme and provide the Trustees with indemnities as hereinafter provided.
- (I) Any obligation hereunder on STG and SBG together shall be an obligation on either one or both of them.

NOW THIS DEED WITNESSES that:

1. In this Deed "Surplus Funds" means the funds and assets remaining in the Scheme after securing all liabilities of the Scheme and after making provision which the Trustees are satisfied is adequate in respect of administration and winding up costs.
2. SBG and STG will:
 - (a) maintain and keep safe the Trustees' records relating to the Scheme for such reasonable time as the Trustees should do so having regard to their judiciary and legal obligations and supply copies to those organisations and individuals who may request, and are entitled to receive, them;
 - (b) agree the entitlements of beneficiaries under the Scheme to guaranteed minimum pensions with the Department of Social Security and pay any further premiums to Royal Life which may be necessary to secure entitlements;
 - (c) pay any further premiums to Royal Life which may be necessary to secure a benefit or additional benefit to which a beneficiary may be entitled and which has not already been secured and procure the issue by Royal Life of one or more policies securing the benefits payable under the Scheme and giving to individual beneficiaries rights to their benefits which are directly enforceable by them against Royal Life;
 - (d) pay any costs or fees which the Trustees may be liable to pay;
 - (e) answer promptly and to the best of its ability enquiries raised by or on behalf of beneficiaries of the Scheme regarding entitlements to benefit; and
 - (f) carry out any other administrative function in relation to the winding up of the Scheme which would otherwise fall to be carried out by the Trustees.
3. STG and SBG agree with the Trustees that they will indemnify the Trustees against any claims, actions, complaints or proceedings brought or made against the Trustees as a result of the manner of STG and SBG carrying out their functions under this deed or their failure to do so.

4. STG and SBG hereby indemnify the Trustees for all time coming against:-
- (a) all and any claims, expenses or charges of Royal Life for which the Trustees are responsible in respect of the bulk buy out from the Scheme by the purchase of policies;
 - (b) all and any claims, expenses and charges of any of the members, former members or their dependants for which the Trustees are responsible arising in relation to benefits to which such members, former members or their dependants are entitled under the Scheme;
 - (c) any liability of the Trustees to provide benefits from the Scheme in accordance with all legislation relating to equal pay, equal entitlement, sex and other discrimination, including (without limitation) Article 141 of the Treaty of Rome, all applicable directives from the European Union and decisions of the European Court of Justice and all United Kingdom Court decisions, statutes, regulations and statutory instruments;
 - (d) any liability of the Trustees to provide benefits from the Scheme in accordance with any of the provisions of the Treaty of Rome, any directives of the European Union and decisions of the European Court of Justice and all United Kingdom Court decisions, statutes, regulations and statutory instruments;
 - (e) any liability of the Trustees for benefits under the Scheme which Royal Life are liable to meet but are unable to do so, but only to the extent that such liability is not secured by the Policyholders Protection Board under the provisions of the Policyholders Protection Act 1975 or any subsequent amendment or re-enactment thereof;
 - (f) all and any claims, expenses and charges for which the Trustees are responsible of any of the Employers who formerly participated in the Scheme;

- (g) all and any claims, expenses and charges of the Trustees in their capacity as Trustees of the Scheme;
- (h) any liability of the Trustees whatsoever arising out of the payment of Surplus Funds by the Trustees to SBG.

IN WITNESS WHEREOF

SCOTTISH TRANSPORT GROUP PENSION FUND SURPLUS: INDEMNITIES TO BE GRANTED BY SCOTTISH MINISTERS TO THE TRUSTEES OF THE STG PENSION FUNDS

1. This note reports to the Scottish Parliament Finance Committee 2 indemnities which Ministers propose to issue to the Trustees of the Scottish Transport Group Pension Funds. Copies of the Indemnities are attached. Two pension schemes are involved: the Transport Operatives Pensions Scheme (TOPS) and the Staff Pension Fund (SPF). For each scheme there are, respectively, indemnities between the Scottish Ministers and the Scottish Transport Group, the Scottish Bus Group Limited, and the 5 individual named Trustees of the scheme.

2. The purpose of these indemnities is to put the Trustees in a position to proceed to wind-up the pension funds and transfer the surpluses in these pension funds to the last employer, the Scottish Bus Group. The Scottish Bus Group is a wholly owned subsidiary of the Scottish Transport Group (STG), a company owned by the Scottish Ministers. When the surpluses are paid to the Scottish Bus Group, STG will wind-up that company and Ministers intend, in turn, to wind-up STG and bring its assets including the surplus pension funds, to the Scottish Consolidated Fund.

3. Because of the size of the pension fund surpluses – reported as £146m net at the time of the STG's most recent published accounts (1999-2000) – the Trustees require the comfort of indemnities from the Scottish Ministers to enable them to wind-up the funds. Without the indemnities, the Trustees would be personally liable if subsequently any claim, action, complaint or proceeding were substantiated against the Trustees in relation to the funds. The issue of the indemnities is considered essential to secure the wind-up of the funds and the transfer of the surplus, eventually, to Scottish Ministers.

4. The Department has analysed the circumstances in which the indemnities may be called and has concluded that there is a low risk of this happening. The Department is fully aware that in England in response to a complaint from a National Bus Company pension scheme member south of the border, the Pensions Ombudsman ruled that the Pension Schemes Trustees had reached an agreement with the NBC which unlawfully resulted in surpluses in the two NBC pension funds being paid to the Government on NBC's privatisation. The Ombudsman directed the Trustees to seek recovery of the surpluses and the Trustees entered into litigation in this regard. The current UK Government decided to seek a negotiated settlement with the NBC pensions Trustees; the settlement eventually concluded was in due course approved by the High Court and paid over to the trustees for distribution to the funds' beneficiaries. After discussions between representatives of the beneficiaries the NBC Trustees are close to seeking court approval for the basis of the distribution, including the categories of those scheme members eligible. The Trustees expect to complete the distribution shortly after receiving court approval. It is hoped that this will be by the Autumn.

5. The situation in Scotland is different. No successful legal action has been brought against the Trustees of the STG Pension Fund schemes nor has the Pensions Ombudsman upheld any complaint against the STG Pension Fund

Trustees. We further believe that neither of the two main factors that led to the Pensions Ombudsman's decision in the English case is present in the Scottish one. The Trustees have confirmed to the Scottish Executive that in 1997/98 a complaint was made by members of the STG Transport Operatives Pension Scheme ("TOPS") and in 2001 a separate complaint was made by a member of the Staff Pension Fund ("the Fund"). Both complaints were made to the Pensions Ombudsman. The complaint in respect of TOPS was deemed by the Ombudsman to be out of time and the Ombudsman did not investigate the complaint. The Ombudsman declined to investigate the complaint in respect of the Fund as in the absence of the complaint demonstrating the Trustees had acted perversely, the Ombudsman's office said he had no jurisdiction to investigate the exercise of trustees' discretion. Given the time that has elapsed since the privatisation of the Scottish bus companies the Executive regard it as unlikely that a successful challenge will be mounted so as to require the indemnities to be called.

6. The indemnities mean that Scottish Ministers accept the contingent liability and if it were called it would thus fall upon the Scottish Consolidated Fund. However, the Scottish Executive has agreed with HM Treasury, that the liability would be shared between the Executive and HM Government in proportion to the shares of the STG Pension Fund surplus which are destined for the UK Exchequer and to the Scottish Executive. Scottish Ministers have agreed with HM Treasury Ministers that around £100m should be made available to former Scottish Transport Group pension scheme members by means of an ex gratia payment, so as to achieve a reasonable measure of equity with the outcome south of the border, and the balance of the STG surpluses should fall to the UK Exchequer.

Background

7. The Scottish Transport Group (STG) was established in 1969 and brought together the interests of 10 bus companies in Scotland and the ferry interests of Caledonian MacBrayne Ltd. In 1988 the then Conservative Government announced its intention to privatise the bus companies that were owned by STG. The companies were subsequently sold off and the trustees of the 2 pension schemes - the Transport Operatives Pension Scheme and the Staff Pension Fund - made arrangements to secure and enhance the existing benefits for scheme members whose bus companies were taken over. The majority of scheme members remained with the 2 STG pension funds which were, after a tendering exercise, transferred to the pension fund company Royal Life; a minority transferred their accrued pensions entitlements to the successor bus companies' own pension schemes or to personal pension schemes. The STG Pension Fund Trustees have advised the Executive that over 9000 members remained with the schemes transferred to Royal Life, and under 5000 transferred to successor schemes or personal pensions.

8. Following the privatisation of the bus companies and the disposal of STG's other assets, the wind-up of the pension funds is the only substantial business remaining for STG.

Ex gratia payments to STG pension scheme members

9. In an announcement on 18 December 2000 the First Minister explained that by agreement with HM Treasury the Scottish Executive would make up to £100m of the STG pension surplus available for distribution as ex gratia payments to scheme members, when the schemes are wound up.

10. Whilst there is no legal entitlement for former STG pension scheme members to share in the pension fund surplus, Scottish Ministers are keen that they receive treatment which is broadly equitable with that of NBC scheme members south of the border.

11. The Scottish Executive is in discussion with interested parties about detailed aspects of the basis for distribution and the mechanics of an ex-gratia payment. Scottish Ministers will bring proposals for the detailed distribution to the Scottish Parliament when they bring forward a dissolution order in respect of STG. It is likely that the amount of the ex gratia payments to former scheme members will be broadly related to the value of their benefit entitlements.

Scottish Executive
June 2001