The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. The Draft Budget 2014-15 was published by the Scottish Government on 11 September 2013.

2. The role of the Infrastructure and Capital Investment (ICI) Committee is to consider the Government’s spending proposals outlined in the budget documents which relate to its remit and report to the Finance Committee.

3. The ICI Committee, at its meeting on 26th June 2013, agreed to adopt a strategic approach to scrutinising this year’s budget with the main focus on the Scottish Government’s performance in delivering its stated outcomes and objectives from Spending Review 2011 (SR 2011) using relevant aspects of the National Performance Framework (NPF). This was felt to be an appropriate time to undertake such an assessment as the mid-point of the electoral term approaches. There is, however, a potentially bigger driver for undertaking such an assessment in the changes in Scotland’s fiscal responsibilities already put in place by the Scotland Act. The Committee is of the view that there is a need to future proof the performance framework against the enhanced tax responsibilities and powers already in place and against possible further constitutional change over the coming years.

4. Taking such a strategic approach meant a departure from recent years focussing on the scrutiny of individual budget lines. Instead, the Committee wanted to look at how the ICI portfolio within the Scottish Government’s budget was delivering across all of its strategic priorities.

5. The Finance Committee issued some general guidance to committees seeking to highlight four key themes of budget scrutiny – Affordability, Prioritisation, Value for Money and Budget Process. Elements of all four themes were discussed and considered by the ICI Committee though, given the interest in Performance against stated objectives, the main thrust of the Committee’s considerations was around prioritisation.

6. Cross-cutting themes such as welfare reform, climate change, equalities and preventative spend were all considered during the evidence gathering and
analysis phases and have been mainstreamed into the consideration and recommendations.

Adviser
7. The Committee agreed to appoint an adviser to assist it in its budget scrutiny. The Committee is grateful to Douglas Greig, who provided it with a skilled analysis of the evidence received and technical advice and expertise during the course of its scrutiny.

Evidence
8. The Committee heard oral evidence from a variety of stakeholders throughout its scrutiny period, concluding with evidence from the Cabinet Secretary for Infrastructure, Investment and Cities.

9. The Committee also issued a call for written evidence on the draft budget and received 18 responses.

10. This report sets out the Committee’s findings and recommendations to the Finance Committee.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

11. The ICI Committee looked at the strategic objectives set out by the Scottish Government in 2011 and at the National Performance Framework as a means of measuring progress. The Committee heard from academic and sectoral experts and gathered written submissions from a wide variety of organisations. It questioned the Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities, Nicola Sturgeon, and explored the use the Scottish Government made of the NPF. The Committee assessed progress against the Scottish Government’s strategic objectives and considered the use of the NPF both as a methodological framework to prioritise its expenditure plans and to assist budget scrutiny of those plans against stated strategic policy objectives.

12. Overall, the Committee believes the NPF provides a useful gauge against which to measure Scottish Government policy interventions. It believes the Purpose (and the three associated Purpose Targets that are the drivers of economic growth) has influenced the main resource allocation decisions in Scottish Government budgets since 2011, particularly as post-recession effects continue to be felt in Scotland, and helped alignment of public sector agencies in their delivery. In particular, the revenue to capital switch and emphasis placed on public sector capital investment have been in line with the strategic direction set by the Scottish Government in 2011 and monitored by the NPF.

13. The movements in the Purpose and the three associated Purpose Targets since 2011 appear to be above the long term trend, though direct attribution to Scottish Government interventions cannot be definitively established. The Scottish Government has, however, followed its Purpose and strategic policy and the Targets have moved in a positive direction. The Committee noted the flatter trends

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1 See Annexe B for a list of the oral evidence and associated written evidence received by the Committee.
2 See Annexe C for a list of the written submissions received.
identified for the Solidarity and Cohesion Targets and the associated risks for these post-recession and in light of the UK Government’s welfare reform proposals. The trend on the Sustainability Target was positive although there were some concerns around the speed of emissions reduction, in particular around the lags between investment in emissions reduction measures and actual reductions appearing in the statistics.

14. The Committee identified some areas where the monitoring of progress and the scrutiny of Scottish Government policies and expenditure could be improved by some changes to content, narrative and measurement on Scotland Performs. The Cabinet Secretary confirmed in her evidence that a refresh of the Indicators was being considered by the Scottish Government\(^3\). The Committee believes that the changes it is proposing could assist use of the NPF as a means of budget prioritisation and scrutiny. In particular, the Committee was keen to differentiate between movements in the high level targets themselves and the impacts that Scottish Government policies and expenditure had on those targets. It was of the view that a better narrative on Scotland Performs, plus the inclusion of subsidiary indicators that were directly influenced by the Scottish Government, would assist the budget process. Those changes could be made to the NPF as part of the mid-term refresh mentioned by the Cabinet Secretary.

15. Several recommendations and conclusions flow from the Committee’s considerations that are relevant not just to the ICI portfolio but to all committees. They can be divided into the following broad groups, with some recommendations covering more than one group:

- Recommendations for the Scottish Government to provide improved evidence-based advice around the evidence base including on Logic Models and Behaviour Change and some new elements of research. This will help committees better understand linkages between areas of Scottish Government expenditure / activity on the one hand, and Targets/Indicators/ outcomes on the other. Recommendation 13 should assist with scrutinising transport projects on a VFM basis. **Recommendations 1, 2, 13, 16, 20, 23, 23 & 29.**

- Recommendations concerning Scottish Government activities and expenditure that can better contribute to Targets and Indicators including those that are in danger of being missed or where extra Scottish Government policy consideration may be required in the near future. **Recommendations 3, 6, 12, 14, 18, and 19.**

- Recommendations for changes to some of the narrative sections of Scotland Performs to make them more inclusive. That should assist budget scrutiny and improve the public and media understanding and acceptance of the NPF. This applies particularly to the Purpose Target narratives. There are some specific suggestions for the Solidarity and Cohesion narratives. **Recommendations 4, 7, 9, 10, 14, 15, 18, and 27.**

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A general recommendation that subsidiary strategies, targets and indicators be signposted within Scotland Performs. This will allow greater transparency of the impacts of Scottish Government policies on Targets and Indicators as well as progress being made by Scottish Government and its agencies to deliver those objectives. This will also improve future budget scrutiny by allowing committees to see both. Recommendations 5, 8, 11, 15, 17, 18, and 19.

- Recommendations for improvements to some NPF Indicators to make them more relevant. Recommendations 17, 18, 19, and 26.

- Recommendations for the Scottish Government to follow best practice in their approach to delivering progress towards the National Indicators. Recommendations 21, 22, 25, and 29.

- Recommendations for changes to the way the draft budget document is set out. Recommendation 30.

SCOTTISH GOVERNMENT STRATEGIC OBJECTIVES FOR INFRASTRUCTURE AND CAPITAL INVESTMENT PORTFOLIO

16. There were three key strategic documents published in September 2011 that set out the policy intentions and desired outcomes for the Scottish Government. They were the Government Economic Strategy (GES)\textsuperscript{4}, the Programme for Government (PfG)\textsuperscript{5} and SR 2011\textsuperscript{6}. All three documents start from the declared Purpose of the Scottish Government to “focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth”.

17. The GES explains the current economic and fiscal context within which the Scottish Government operates, sets out the generally accepted factors of Productivity, Participation and Population that are the drivers of economic growth and establishes what it describes as ‘challenging’ targets for these. It then describes three characteristics of growth - Solidarity, Cohesion and Sustainability, which it believes are also long term drivers of sustainable economic growth and establishes proxy measures for progress against them to be assessed. Collectively these are the Purpose Targets which were intended to set a clear and unified vision for Scotland.

18. The GES further sets out six strategic priorities – a Supportive Business Environment; Transition to a Low Carbon Economy; Learning, Skills and Well-being; Infrastructure Development and Place; Effective Government; and Equity. The narrative within the GES explains what factors and sectors are important to


delivering each of these strategic priorities and requires alignment of Scottish Government and its agencies in delivery. The GES mentions the role that the sectors and areas of the economy that fall within the remit of the Committee play in that delivery. The main contribution envisaged is, not surprisingly, in the Infrastructure, Development and Place section where Transport, the Cities Strategy, Digital and Housing are all covered under a generic label of the growth and maintenance of capital assets. Contributions are envisaged from Digital Connectivity and its exploitation to Business Growth; Transport, Digital and Water to the Transition to a Low Carbon Economy; all sectors are implicitly included in the Effective Government section while fuel poverty, concessionary fares, housing assistance and measures to mitigate detrimental impacts of welfare reform are included in the Equity section.

19. The GES also noted that the Purpose and its Targets were part of the NPF which it said would be used to monitor progress toward delivering the vision.

20. The PfG stressed the top priority was to accelerate the economic recovery and that capital investment was the key to recovery with commitments to use the Non-Profit Distribution programme and leveraged investments from the National Housing Trust. Specific commitments were around the Queensferry Crossing, a £400m housing investment budget for 2011/12 and the Next Generation Digital Fund to accelerate the roll out of superfast broadband.

21. The SR 2011 contained a chapter on capital and infrastructure covering more than the remit of the Committee but including statements of belief that capital investment was essential to longer term growth through productivity as the “accumulation of capital increases the potential output of the economy”. Support for construction and its supply chains and employment was viewed as necessary during the downturn and accompanying fiscal austerity. SR 2011 highlighted key actions to achieve this as to:

- take forward a pipeline of £2.5bn non-profit distributing projects including the M8 improvements, Aberdeen Western Peripheral Route and A90 Balmedie to Tipperty Dualling Project;
- maximise use of Network Rail’s Regulatory Asset Base including Edinburgh Glasgow Improvement Programme;
- launch the National Housing Trust;
- encourage local authority and Registered Social Landlord borrowing to support investment in housing;
- improve Scottish Water’s efficiency through a £32.5bn capital programme;
- develop a Cities Strategy; and
- improve value for money through the Scottish Futures Trust.
22. The Infrastructure chapter in the Spending Review document also promised a £200m switch from revenue to capital.

23. Other chapters in SR 2011 touched on the contributions that were expected from sectors within the Committee’s remit notably in the Low Carbon Transition chapter through transport policies to control emissions by reducing congestion, modal shift toward more rail freight, public transport and active travel as well as through Warmer Homes and greater energy efficiency by Scottish Water.

24. The Cabinet Secretary confirmed that the Scottish Government had sought to—

“deliver the outcomes, objectives and priorities set out in the Programme for Government, the Government Economic Strategy and the National Performance framework. Our draft budget sets out our proposals for using the resources that are at our disposal to deliver our purpose”.

THE NATIONAL PERFORMANCE FRAMEWORK

25. The NPF was originally introduced by the Scottish Government in 2007 and a refreshed version was announced in late 2011 to sit alongside those three key strategic documents to assist monitoring of its performance. It was based on a performance model used in the state of Virginia where several high level outcomes had been agreed on a non-partisan basis as the desired objectives of state government policy.

26. The NPF is a mixture of high level measures of economic activity/growth set out as the Purpose Targets, a set of sixteen aspirational National Outcomes, representing the vision of the type of society the Scottish Government would like to see, and possibly defining what they mean by ‘a successful country’, and fifty specific national indicators additional to the Purpose Targets that can be viewed as milestones or proxies on the way to achieving those economic and societal objectives.

27. The belief introduced from the importation of the Virginia model was that an Outcomes approach changes the policy formulation process – leading to greater alignment of Government Departments and agencies and less silo driven working. Budgets are clearly only one part of that policy formulation and delivery process. Alignment recognises that any individual budget line will contribute to many Targets, Outcomes and Indicators to differing degrees and that achieving any particular target, outcome or indicator cannot usually be achieved through a single policy intervention or budget line. The adoption of an Outcomes approach may have helped to introduce a greater focus on preventative spend and assisted the integration of health and social care.

28. The NPF is not a comprehensive system and it does not claim or display transparent and measurable linkages between all its parts. That means there is no simple causality claimed between any individual policy intervention or line of

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expenditure and the delivery of any particular Target or Indicator. In her evidence the Cabinet Secretary stressed that “the Scotland Performs framework is predominantly made up of long-term outcome-focused indicators” and that “it can be hard to draw an absolutely straight line from spend to outcomes.” She said this was particularly the case when dealing with complex multi-year changes.

29. Nor is the NPF a performance management system pertaining only to the Scottish Government. Many of the Targets, Measures and Indicators can be influenced but not controlled by the Scottish Government. Indeed the Scottish Government frequently argues that it could better deliver outcomes with control over policy levers currently reserved to Westminster. Many other players – the EU, local government, and the private and third sectors - are as or more influential in some aspects and, as the Committee heard from Professor David Bell, Professor of Economics, University of Stirling, there are some “large forces in the world” citing demographic, societal, global and economic factors that any government needed to recognise. The Cabinet Secretary acknowledged this point in her evidence around the National Indicator for new home building where she said the worsening performance was “because of wider market conditions” while the Scottish Government was “on track to meet our Government target of delivering 30,000 homes.”

30. Scotland Performs sets out the latest estimates of Scotland’s performance in a quick and easy to use presentational format. The use of arrows to show performance improving, maintaining or worsening is however usually based on single latest statistical observations, when the underlying trend is usually of greater importance. The narrative in Scotland Performs gives a flavour of the complexity of the relationships between National Indicators and National Outcomes by listing main contributory indicators against each of the latter. The narratives attached to the National Indicators themselves give a flavour of the linkage between Scottish Government activity and delivery though not always in a consistent manner and often without attempting to explore or explain that complexity.

31. There are many supplementary or subsidiary targets and indicators put in place by the Scottish Government and its agencies through lower level sectoral strategies, policies or working arrangements that are linked to, but not an overt part of, the NPF – except in Health where HEAT targets are directly linked through Scotland Performs. Some of those strategies, subsidiary targets and indicators are mentioned or cross referenced in Scotland Performs but not always in a consistent manner.

32. The Cabinet Secretary said the Scottish Government saw the Purpose and the NPF as—

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“important tools in guiding the decisions that we make as a Government, and in decision making in individual portfolios. The Purpose and National Outcomes are a vision and a description of the type of country we want to create. They set the strategic direction for the Government and therefore guide the decisions that advance that strategic direction. The Budget – not only in this portfolio but across all portfolios – very much reflects that strategic direction”\(^{11}\).

33. The Cabinet Secretary also said that-

“Scotland Performs indicator dashboard is how we measure progress toward that vision and the strategic vision we set. It is intended to be a snapshot of how Scotland is doing as a society”\(^{12}\). She said that “The whole Framework provides a national stock take of how we are doing and in that sense was an important tool in guiding decisions that we take. Obviously that applies to budgetary decisions as well as more broadly to decisions on setting our policies and overall direction”\(^{13}\).

**Prioritisation against Targets and Indicators**

34. The Committee sought to investigate how well the Scottish Government was progressing against its stated objectives as set out in the strategic documents and monitored by the NPF. This scrutinised the draft budget from the standpoint of how well the Scottish Government was prioritising and amending its expenditure to meet its objectives as set out by its preferred Targets and Indicators. This is a strategic approach in line with the Scottish Government’s outcome focussed approach and differs from looking at the specific expenditure commitments that are contained within the annual budgets.

35. In its response to the Finance Committee in September 2013, the Scottish Government helpfully provided trend graphs of the various Target measures over several years\(^{14}\). This helped facilitate consideration of which timescales are best used to assess progress rather than merely use the latest period arrow indicator used on the Scotland Performs website.

**Purpose Targets, National Outcomes and National Indicators related to the Infrastructure and Capital Investment Committee’s remit**

36. Of the eleven Purpose Targets and fifty National Indicators, the Committee felt that the following were of most relevance to their remit. Some of the activities of the portfolio relate strongly to the Solidarity Purpose target which is also touched on in the report.


PURPOSE TARGETS

**Growth**
- To raise the GDP growth rate to the UK level by 2011
- To match the GDP growth rate of the small Independent EU countries by 2017

**Productivity**
- To rank in the top quartile against key trading partners in the OECD by 2017

**Participation**
- To maintain our position on labour market participation as the top performing country in the UK
- To close the gap with the top 5 OECD economies by 2017

**Cohesion**
- To narrow the gap in Participation between Scotland’s best and worst performing regions by 2017

**Sustainability**
- To reduce emissions over the period to 2011
- To reduce emissions by 80% by 2050

NATIONAL INDICATORS

- Improve digital infrastructure
- Reduce Scotland’s Carbon Footprint
- Reduce deaths on Scotland’s roads
- Reduce traffic congestion
- Increase the proportion of journeys to work by public or active travel
- Increase people’s use of Scotland’s outdoors
- Increase the number of new Homes
• Improve access to suitable housing options to those in housing need

Improvements to the evidence base

Logic Models
37. As paragraphs 27 - 30 show, sectors like Transport, Housing, Water and Digital – which account for the bulk of the expenditure in the ICI Committee’s portfolio - are not the only sectors contributing to delivery of the selected Targets and Outcomes. Nor are these Targets and Indicators the only ones that these four sectors contribute to. Several of the Committee’s expert witnesses and some of those making written submissions sought greater attribution of changes in the indicators and targets to particular Scottish Government activity and expenditure. For example, Professor Thomson, University of Strathclyde, noted this was a major issue for infrastructure and capital spend, stating that—

“you spend a lot of money now and get the benefit sometime in the future and in other people’s budgets”\(^\text{15}\).

38. Professor Gooch, Chair of Water and Environmental Policy, University of Dundee, gave the high level example of better health outcomes requiring improvements to—

“water supply, air quality and a number of other areas all intended to lead to the same outcome”\(^\text{16}\).

39. Other witnesses (Sustrans, Paths for All, Royal Society of Edinburgh) called for better analysis of the contributions each line of expenditure made to a broader range of Performance Targets and Indicators. Ewan Wallace, Chair, Society of Chief Officers of Transportation in Scotland, (SCOTS) stressed that—

“pan-public sector work through community planning partnerships and the national health service is evolving”

and that

“transport and health are very much a focus for a number of local authorities throughout Scotland”\(^\text{17}\).

40. The Committee believes that this cross-sectoral engagement requires a new kind of evidence base.

41. The Committee was made aware that such analysis requires Logic Modelling looking either at all policies and expenditure that significantly influence a particular Target or Outcome (top down) and/or all Targets and Outcomes that are influenced by a particular line of expenditure (bottom up). That can often be done


intuitively and by consensus with all interested parties but would usually need to be backed up by statistical, economic or social science research. Such models also illustrate where Scottish Government activity can influence the Target, Outcome or Indicator and where other external influences, as noted in paragraph 29, need to be acknowledged.

42. The Committee understands and agrees with the Cabinet Secretary’s comments about there being no straight lines between budget lines and outcomes. The Committee is also aware that the Scottish Government has already undertaken and published both types of Logic Modelling analysis in several portfolios.

43. Without knowing the costs and benefits that have arisen from such modelling work, the Committee would not automatically recommend that it is something that should be comprehensively undertaken. It would, however, welcome a report from the Scottish Government on what Logic Models and Contribution Analyses have been undertaken to date, what costs and benefits have arisen and what criteria could be used to decide what other areas might benefit from such analytical work. The Committee suggests that this would increase the evidence base showing the major linkages between budget expenditure and the achievement of the Scottish Government’s main priorities. That would assist committees across all portfolios with their budget scrutiny.

44. **Recommendation 1**: The Committee recommends to the Finance Committee that it calls on the Scottish Government to review the use of Logic Models in the context of the NPF which have been undertaken to date and to publish a policy or guidance note showing when it considers such modelling would be beneficial and should be undertaken and when it is felt it would not to be appropriate. The Committee believes that enhancements to the evidence base using these models can help both the prioritisation of expenditure and the budget scrutiny process across a wide range of Scottish Government activity.

**Behaviour Change**

45. Most expert witnesses who appeared before the Committee across a range of sectors and professions felt that the role of Behaviour Change was important to achieve whatever targets are set for societal outcomes around the economy (Professor Bell), health (Sustrans, Cycling Scotland, SPOKES, Paths for All) and the environment (Professor Thomson, Institution of Civil Engineers, Sustrans, Cycling Scotland, Paths for All, SPOKES). This appeared particularly relevant in the ICI portfolio for the general area of climate change and the Purpose Target and National Indicators for Sustainability, carbon footprint, active travel and road congestion. Several witnesses noted the need for Behaviour Change with specific examples (e.g. Sustrans seeking encouragement from workplaces to their employees for active travel and noting the need for action on school runs). Some witnesses, such as Professor Thomson, noted the often long pay-back period between an investment in behaviour change and results. Others, such as George Mair and John Lauder were supportive but felt that they didn’t know enough and called for research into various behaviour change aspects to ensure that decisions and actions were based on knowledge rather than assumption.
46. Professor Bell noted the growing—

“link-up between economics and psychology to consider ways in which behaviours can be influenced. Some are susceptible to Government intervention but it all has to be thought through very carefully”18.

47. Professor Thomson said—

“many organisations that have reduced their sustainability footprint have not done that through major investment. It has been achieved through the combined synergistic effect of little changes”19. John Lauder spoke of high benefit to cost ratios for enabling people to lead more active lives and wanted more spent on “soft measures which are interactions that explain to people what the benefits are of walking and cycling”20.

48. The Cabinet Secretary said that “we need to do as much as possible to promote behaviour change”. She noted that in her time as Health Secretary she viewed the role of the Health Service as being “to promote good health”. That manifested itself in “a variety of ways, such as the health service promoting cycle to work for its staff”21. She said she would be content to request that more information is produced on behaviour change.

49. Recommendation 2: The Committee recommends to the Finance Committee that it calls on the Scottish Government to publish a short summary of where Behaviour Change techniques are currently used across the Scottish Government. Within the ICI portfolio, the transport sector covering modal choice would offer a targeted area that could be used to help Scottish Government, delivery partners and the wider public/media understand where this might add value. The Committee believes that a better understanding of Behaviour Change methods will help improve policy delivery and generally enhance the budget scrutiny process.

PROGRESS AGAINST TARGETS AND INDICATORS

50. In terms of this report, and in the absence of definitive evidence from Logic Models, the Committee looked at the trends of the Targets and Indicators to assess progress made since 2011. There is no intention to undertake a general review of the NPF itself. The Cabinet Secretary referred to “a general refresh of indicators”22 and the Committee hopes its recommendations can assist with that. Available published evidence together with written and oral submissions has been used to arrive at some recommendations for improvements to the NPF designed to assist Scottish Government prioritisation, budget scrutiny, presentation,

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public/media understanding and general acceptance. It makes sense to consider the selected list of Targets and Indicators in 3 groups as follows:

**Group 1:** encompasses the two GDP Targets together with Productivity and Participation. This group can be considered together as the latter two, together with Population, can be seen as determining the former.

**Group 2:** is comprised of the other three Purpose Targets considered separately. These are proxy measures for what are described as the desired characteristics of growth plus longer term drivers.

**Group 3:** are the National Indicators though, for the purposes of the Committee’s inquiry, and from an ICI perspective, it makes sense to consider the Digital infrastructure indicator with Group 1 and the Carbon Footprint Indicator with the Sustainability Target in Group 2.

**Group 1: Economic Growth, Productivity and Participation**

51. The graphic data provided by the Scottish Government in September 2013; the narrative in Scotland Performs; the regular state of the economy reports from the Scottish Government’s Chief Economic Adviser and the views of the Committee’s expert witnesses were used to assess the general performance of the Scottish economy and the contribution of sectors in the ICI portfolio. The current arrows show performance maintaining for the Target to match the GDP growth rate for the rest of the UK, reflecting figures to Q2 2013 and performance improving for the GDP growth compared to small EU states. As quarterly and annual GDP can be affected by one-off factors, it is the long term trend that is the most important measure for gauging success. Over the 30 years to 2006, average UK growth was 2.7% pa compared to a Scottish average of 2.3%. The same 0.4% differential applied to GDP growth with the small EU states.

52. There have been periods since 2006 when the Scottish economy grew at a faster rate than the UK and the small EU states and periods when the reverse was the case. Scotland did not show as deep a fall in GDP as the UK as a whole during the worst of the recession and growth has been similar since 2011 with Scotland growing slightly faster on the most recent quarters. That suggests a relative improvement over the last few years since 2007 or 2011 but it remains difficult to gauge whether the longer term trend gap has been removed completely. An improvement can also be seen in the comparison with small EU states with the added complication that the measure is an average across several countries, some of which have done well and others badly. This makes longer term trend improvements difficult to discern.

53. The main driver of GDP growth is usually changes in relative productivity. The selected measure is against the lowest performing country of the top quartile of our key trading partners in the OECD rankings. Scotland Performs records performance as maintaining, using latest figures for 2011. Again it is the long run trend that is important. The trend has been for a slow narrowing of the gap across the period from 2000/2001 and there has been a further improvement since the
recession. The August 2013 State of the Economy report by the Chief Economist\textsuperscript{23} concludes that Scottish productivity has bounced back to exceed pre-recession levels while UK productivity remains below those levels. The report also highlights continued infrastructure improvements as one of the conditions for productivity gains.

54. The trends in participation show Scotland maintaining its place as the top performing UK country although the difference with England is small and there are some quarters when Scotland has fallen below England. Scotland’s relative position against the 5\textsuperscript{th} highest OECD performer has slowly worsened over the past 10 years, although the way the arrow is decided on shorter term measures means it currently shows performance maintaining.

55. The other factor driving economic growth is population. It is not mentioned as one of the Targets of most interest to the ICI portfolio, although population growth does have significant implications for all the ICI sectors. There will have been a small positive effect on GDP growth over the past decade as Scotland’s population shows a small but steady rise in the period.

56. The main expenditure lines in the ICI portfolio are Transport, Water, Digital and Housing. Together, these approach 50% of total capital expenditure by the Scottish Government. All four can be regarded as essential, underpinning infrastructure required to allow other sectors to function and the economy to grow. Paragraphs 17-19 note the comments in the GES about the importance attached to capital expenditure for economic growth through providing the necessary conditions for economic activity to take place and the importance of public sector capital investment during and after the recession especially given the long, slow and uncertain recovery.

57. The Cabinet Secretary noted the recent forecasts of modest growth returning to the economy as “emerging signs that investment decisions were working”\textsuperscript{24}. The Scottish Government’s intention was to continue to accelerate GDP through investment and that evidence suggested that every £100m invested in capital spend supported £160m economic activity and approximately 1300 FTE jobs. She highlighted the further resource to capital shift within the budget.

58. Overall the Committee believed that the Scottish Government has used its available resources to maintain capital investment in infrastructure in line with its strategic objectives and has used the Purpose and three associated main Purpose Targets as a guide for investment decisions. The Committee is of the view, however, that improvements could be made to make the narrative around the Purpose on Scotland Performs more inclusive. That would also improve both the Scottish Government’s decision making process and scrutiny of the Budget. The Committee also considers that the content of Scotland Performs could be amended relatively easily through better signposting of subsidiary and sectoral strategies allowing better scrutiny of the impacts, effectiveness and efficiency of


Scottish Government policies and expenditure on the chosen Targets and Indicators. We also believe the recommendations will help make the budget choices more transparent by linking sectoral strategies to the overarching Purpose. This will become more important as the Scottish Government takes on and uses the additional fiscal powers now available to it under the Scotland Act 2012 and if further powers are taken on in future years.

59. Expert witnesses varied in their views on how well the contribution of capital investment in the ICI sectors to Productivity, Participation and therefore Economic Growth was understood or prioritised in policy making decisions. Professor Bell noted that understanding the processes by which growth occurs was complex and that it was difficult to figure out the contribution of each project or sector. He also stressed the importance for Governments to be seen to be investing in infrastructure to strengthen private sector confidence which was crucial to growth. He criticised the UK Government for cutting capital budgets as a bad decision especially for the construction sector and said that a consistent, coherent non-politicised productivity enhancing infrastructure plan was essential in the modern world. He thought the decision-making process for where to invest had been sound and operated well with expert advisers and the private sector.

60. However, others felt their particular sectors were not well reflected in the Purpose Targets and it was considered worth looking at the sectors of Water, Digital Infrastructure and Housing to establish why this was the case. These issues are addressed in the following paragraphs 61 - 92. The Committee then addresses prioritisation within the Transport sector at paragraphs 93 - 101.

**Water and Sewerage Services**

61. The draft budget for 2014/15 makes provision for loans from the Scottish Government to Scottish Water as well as setting out the receipts of loan interest from Scottish Water. The loans are intended to support Scottish Water’s investment programme in water and sewerage services. The Scottish Government has an oversight board, the Output Monitoring Group (OMG), to ensure delivery of a range of improvements agreed in 2009 and covering the period up to 2015. The OMG reports quarterly on several measures including a single overall measure of delivery. A new regulatory period will start in 2015, running to 2021. These are an example of subsidiary targets mentioned in paragraph 31 above.

62. The Hydro Nation concept is mentioned in the GES as being of “fundamental importance for Scotland’s economy, health, social well-being and environment”. As such it has links to all the Purpose Targets although it is not specifically mentioned in any of them on Scotland Performs. It has no specific National Indicator assigned to it. SR 2011 committed the Scottish Government to ensuring drinking water met stringent standards and the environment was protected from wastewater pollution through Scottish Water providing a modern, efficient and affordable service.

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63. Professor Gooch said the omission of a specific mention in the National Performance Framework constituted a “lack”. The Committee noted the potential for this to be de-motivating for the sector. It wanted to ensure that no opportunities for the sector to contribute more to delivery of the Purpose and Targets were overlooked.

64. Professor Gooch also expressed the view that the processes and arrangements put in place for the 2009-15 regulatory period had worked well and had delivered what was expected and required. The level of loans and borrowing was sufficient to allow Scottish Water to fulfil its obligations in the traditional way. His main interest was in ensuring that new circumstances and opportunities for water to contribute more to economic growth and the associated Purpose Targets in the new regulatory period starting in 2015 were not overlooked. There was a window of opportunity brought about by the need to look again at infrastructure put in place 150 years ago and which shouldn’t just be renewed in the same way as before. He wanted the Scottish Government to look for opportunities for new technology and innovations which could then be exported. He felt such innovations could be more sustainable and energy efficient as well as highly marketable abroad.

65. The creation of a small fund (£5m) for applied research reaching out to SMEs in particular, together with the creation of two independent but linked enterprises – Scottish Water Horizons and Scottish Water International- looking at possible technical innovations and international co-operation respectively offered some prospects for potential developments in this area. The Committee welcomes this new funding stream.

66. The Cabinet Secretary said that Scottish Water was on target to meet all of its targets in the current regulatory period. Decisions around new targets and powers would be made in 2014 for the next period. She stressed that the lack of a mention in Scotland Performs did not imply any lack of understanding or appreciation of its importance. Scottish Water had always tried to “up its game” and maximise its impact through performance. The Output Monitoring Group had worked well and worked on new targets for 2015-2021. A small amount of new funding had been made available to support the “Hydro Nation” concept.

67. **Recommendation 3**: The Committee recommends that the Scottish Government considers what opportunities might be created for the Scottish economy through the water sector by Scottish Water or others in the next regulatory period and report on what changes would be needed to secure these.

68. **Recommendation 4**: Whilst accepting the Cabinet Secretary’s view on the importance she attaches to Scottish Water, the Committee considers that the lack of inclusivity of all major sectors in the narrative attached to

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Scotland Performs has potential to create a negative perception. The Committee therefore recommends that the narrative on Scotland Performs be made more inclusive by adding clear references to major underpinning sectors such as water.

69. **Recommendation 5:** The Committee recommends that the Scottish Government consider signposting on Scotland Performs subsidiary strategies and performance indicators such as those dealing with water through the Output Monitoring Group.

**Digital Infrastructure**

70. The draft 2014/15 Budget has £13.8m allocated for expenditure on the Digital Economy and Infrastructure. This is split between £1m DEL resource (used to fund support and advice to SMEs to inform, encourage and increase the use of digital technologies) and £12.8m DEL capital. The stated objective for the capital spend is to “to support Scotland’s transition to a world leading digital nation through investment in growth and development of the digital economy; the transformation of our public services and the delivery of digital infrastructure.” Further expenditure on the Next Generation Digital Fund is shown in the Rural Affairs and Environment portfolio as much of the expenditure is targeted on rural areas. The capital is spent through contracts with the private sector on infrastructure development projects. The resource budget is spent largely through the enterprise agencies.

71. The importance of digital infrastructure and skills was specifically mentioned in the refreshed GES and in SR 2011 as having a critical role in driving economic growth and competitiveness, creating jobs, delivering online public services reducing costs and supporting the transition to a low carbon economy. All the Purpose Targets are relevant, including those on Cohesion and Solidarity (because the Fund targets both rural and hard to reach urban areas/people), although in that section of Scotland Performs it is mentioned only against the Productivity Target. It has its own National Indicator to “Increase the proportion of residential and non-residential addresses that are within postcodes where next generation broadband is available”. The indicator is shown as performance improving according to latest data from June 2013. The Scotland Performs webpages also note an associated target – “That next generation broadband will be available to all by 2020, and significant progress will be made by 2015” - taken from Scotland’s Digital Future: A Strategy for Scotland published by the Scottish Government in March 2011. This is a good example of a subsidiary or sectoral strategy and indicator being signposted by Scotland Performs.

72. Professors Bell, Fourman and Thomson all believed that investment in digital infrastructure was an important factor in economic activity and growth and that people’s skills and usage would determine the economic returns that could be achieved from the investment. For example, Professor Fourman explained that that while some of the statistics around participation were innovative and helpful in policy formulation – for example measuring the difference between participation in the most and least disadvantaged households - other measures around

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infrastructure are not disaggregated enough to inform policy, including the specific National Indicator for Digital Infrastructure. Focussing just on delivering the Indicator may mean the full benefits that improved digital infrastructure can make to the economy are not realised.

73. Professor Fourman called for more open access to digital infrastructure. He believed that, largely due to a wrong policy direction set by the UK Government, Digital investment had not been seen as a “proper infrastructure project” which would lead to the stimulation of competition and the creation of new and innovative services. He wanted a measure which looked at wholesale connectivity between businesses located in different parts of Scotland and at the pricing and charging regimes across the country.\(^{30}\)

74. On the specific indicators, including the associated one mentioned in paragraph 71 above, Professor Fourman doubted that the current contracts would deliver 95% next-generation access and suggested 60% in the Highland and Island Enterprise (HIE) area and 80% for rest of Scotland. He expressed the view that this was because, even where the physical infrastructure was put in, in some areas there would be “too long a piece of copper” to deliver speeds that were actually “next- generation”\(^{31}\).

75. The Committee received written submissions from BT and OFCOM. BT welcomed the level of investment being made in both the HIE and rest of Scotland projects which they believed were step change projects. The HIE project was described as the most complex broadband project in Europe. They said the two projects would deliver access to 85% of premises by end 2015/16 and 95% by end 2017/18. The BT submission reported that investment of this type in a rural area could lead to an annual increase in GVA of 0.3% over 15 years with 1470 business start-ups through cloud computing, 7780 home workers supported and 1810 jobs created through improved business performance. The BT submission also acknowledged the difficulty of reaching the final 10% of premises.\(^{32}\)

76. OFCOM reported the latest estimates of households in rural and urban areas with standard and superfast broadband and premises served by at least one operator with 2G and 3G. Their submission noted their approach was to promote functioning markets but working with governments where market failures prevent optimal outcomes. They highlighted the Department for Enterprise, Trade and Investment Northern Ireland’s intervention to deliver superfast broadband to 95% of premises as an exemplar of such interventions.\(^{33}\)

77. The Cabinet Secretary told the Committee that she believed the Scottish Government contracts in the HIE and Rest of Scotland were on track to deliver the step-change targets for physical infrastructure. She said that—

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\(^{32}\) BT. Written submission. Page 2, paragraph 7.

\(^{33}\) OFCOM. Written submission. Page 2, paragraph 6.
“much of the discussion we have had around digital in Scotland to date has been around infrastructure. There is a very good reason for that, which is that the infrastructure was lacking.”

78. The Cabinet Secretary also said that had been the right focus for the Scottish Government. It wanted to get to the stage where people could take the infrastructure for granted and switch the discussion to digital participation. The Scottish Government was increasingly focussing on that side. She said “In partnership with SCVO we have appointed a director of Digital Participation” and that the Scottish Government had “published Scotland’s Digital Future - Supporting the transition to a World Leading Digital Economy” and allocated £7m to implement the recommendations supplementing resource already in place. She offered to write to the Committee setting the whole work programme out in greater detail.

79. **Recommendation 6:** The Committee welcomes the SG’s current investment in Digital Infrastructure and the progress being made with the HIE and Rest of Scotland contracts. It notes the concerns expressed in some evidence received around the bandwidth speeds that might be obtained from the contracts with BT. The subsidiary indicator referred to in Paragraph 66 will help measure this. The Committee requests that the Scottish Government clarify what it believes the HIE and Rest of Scotland contracts will deliver in terms of bandwidth speeds to households and businesses throughout Scotland.

80. **Recommendation 7:** The Committee recommends that the narrative around the Productivity, Solidarity and Cohesion Purpose Targets should include reference to response speeds and effective utilisation assisting delivery. Measurement of response speeds and effective utilisation could be split by region and social group to help inform the Cohesion and Solidarity Purpose Targets.

81. **Recommendation 8:** The suitability of the physical infrastructure and the use to which it is put is as important as the provision of the physical infrastructure. The subsidiary indicator noted in Paragraph 66 attempts to measure the former. The Committee welcomes the comments by the Cabinet Secretary about next steps regarding utilisation and recommends that the Scottish Government considers further subsidiary measures be integrated into or signposted from Scotland Performs within the current National Indicator to cover effective utilisation both as an economic and a social tool.

**Housing**

82. The draft budget contains allocated expenditure of £358m on housing supply within the ICI budget plus additional funds in the Local Government Capital Settlement. This encompasses a range of measures to boost the housing market from new build and adaptations to equity loans. Much of the expenditure is routed

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through housing associations and local authorities. The draft budget document has a wide range of objectives in the housing, regeneration, construction industry and environmental areas for this allocation including the specific target to deliver 6,000 affordable homes of which 4,000 will be social homes. There were also increases in the Warm Homes Fund (to £31.3m), the Fuel Poverty/Domestic Energy Efficiency funding (to £79m) and in the welfare reform mitigation funds (to £37.6m).

83. Like water and sewerage services, housing clearly has a crucial role in underpinning and enabling economic growth and all the associated Purpose Targets. It is not, however, specifically mentioned in any of them and nor does it have an overt role set out in the GES, although it does implicitly contribute in that document to aspects of place. It might also be assumed to do the same in the Purpose Targets especially in the Sustainability Target page of Scotland Performs where sustainable places do rate a mention.

84. Housing’s role in creating a flexible and deep labour market was set out in SR 2011 as was its contribution to “society’s infrastructure” through “better educational and employment opportunities, healthier lives and a more prosperous and equal society”. It also has a recognised role in several of the National Outcomes. The lack of a specific mention in the Purpose Target section of the NPF was highlighted by all the expert witnesses as detracting from the usefulness of that section to housing policy.

85. Professor Kenneth Gibb, Professor in Housing Economics (Urban Studies), University of Glasgow, noted that Housing’s role in the economy was very broad and included aspects around how housing development in the right places encouraged economic investment, how the private rented sector promoted labour market flexibility, whether house prices and rents were stable and not volatile or speculative. In his view, it should be these questions which drive housing policy, with budgets a consequence rather than a driver. Both Professor Gibb and Susan Torrance, Policy Manager, Scottish Federation of Housing Associations told the Committee about the on-going problems with banks and other private sector finance providers which they described as a market failure. They suggested that any assistance that the Scottish Government could provide to get the banks to change their approach would be welcome.

86. Both David Bookbinder of the Chartered Institute of Housing in Scotland and Jim Hayton of ALACHO wanted to see more explicit acknowledgement of Housing’s contribution to health, environmental and broader societal outcomes with Susan Torrance noting work that has already been carried out by the Housing Policy Advisory Group. All wanted to see that developed to aid better understanding of what and where housing could contribute to the Purpose and its Targets and to a range of other National Outcomes. That would also foster better working relationships and alignment with the enterprise networks amongst others.

87. The Committee noted that many of the issues raised by expert witnesses were outwith the Scottish Government’s direct control either because they are reserved to Westminster or require private sector engagement. The Committee noted that the Scottish Government had tried to engage on some of these issues through their Banking Strategy.

88. The Cabinet Secretary highlighted the role of housing in the National Outcome of “well-designed sustainable places” and the 2 specific national indicators relating to housing as evidence of the strong focus given to it in the NPF\(^{39}\). Her comments reflected the difference between delivering things which, subject to budget availability, are at the Scottish Government’s own hands and those that it can either only influence or, as is the case with welfare reform, is an agenda set by external factors. The Cabinet Secretary mentioned the Help to Buy 2 scheme as an attempt by the Scottish Government “to stimulate demand and in turn supply from private sector house building”\(^{40}\).

89. The Committee believes that it is important for the Scottish Government to both deliver on those things that are within its control and to show how it has tried to influence things that are out-with its direct control. The NPF measures around the Purpose Targets are high level covering a wide range of factors subject to internal and external influences. The narrative that sits alongside those Purpose Targets needs to reflect what the Scottish Government was spending money on to directly impact on the Target and how it was responding to external events.

90. **Recommendation 9:** We recommend that the Scottish Government amends the narrative of the Purpose Targets to make clear the role of underpinning sectors like Housing in a manner that goes beyond simple multiplier effects. That narrative should include the need to create a fully functioning housing market (sales/purchases, stamp duty or equivalent, private rental, social, specialist and affordable housing, new build) as essential for the economy to function.

91. **Recommendation 10:** The role that housing plays in delivering health and social outcomes should be reflected in the narrative of the Population growth Purpose Target under Healthy Life Expectancy as well as in the Solidarity Target and Health Outcomes.

92. **Recommendation 11:** There should be signposting within the Purpose Target section to associated subsidiary indicators and targets in the Scottish Government’s Housing strategies.

*Prioritisation of projects within sectors - Transport*

93. The recommendations above are designed to help understanding of the role that all sectors can play in delivering economic growth and thereby make prioritisation and alignment between sectors more transparent. We now use transport as an example of how we could make improvements to the prioritisation process within sectors.


94. The draft budget allocates about £2bn to transport projects – slightly down on 2013/14 in real terms. The explanation for most of the reduction is in savings due to the phasing of capital projects on both rail and road sectors including in the continued construction of the Queensferry Crossing. There are increases in expenditure on air (to £50.4m) and ferry services (to £146.8m) and for the Future Transport Fund (up to £18.7m) and movements broadly in line with inflation on rail infrastructure/franchise and concessionary fares. Rail expenditure shows little change in real terms between 2013/14 and 2014/15.

95. Transport both within Scotland and internationally has a clear role in providing some of the conditions required for economic growth which is explicitly acknowledged in the GES, PIG and SR 2011 documents as well as the draft budget document.

96. The links between transport expenditure and the economy are mentioned in those strategic documents with references to the multiplier effects expected from major projects. The pre-expenditure appraisal that was normally carried out – the Strategic Transport Appraisal Guidance (STAG) together with a Strategic Environmental Assessment (SEA) - while illustrating some expected benefits from faster journey times, carbon emissions, road safety issues and other societal or environmental costs/benefits was not used as a prioritisation mechanism. It helped select the type of option that would be put in place within a particular corridor and assist project management but was not routinely used to decide on which interventions to use and when. Post project appraisal tended to examine the project itself rather than assess whether all the expected economic benefits had been realised.

97. Both John Lauder for cycling and walking and George Mair for bus travel through the concessionary fares scheme argued that support for their sectors was directly and indirectly contributing to economic objectives. Spend by walkers/cyclists and bus passengers was becoming significant and contributing to local economic activity. George Mair reported research by the Passenger Transport Executive Group that concessionary fares were worth one and a half times their cost in socio-economic benefits and the fuel duty rebate two and half times the investment. Those benefits may of course merely represent displaced activity but John Lauder estimated that the national cycle network generated £160m pa in visitor spending.

98. Prioritisation had however been assisted and guided by the Strategic Transport Projects Review and the National Transport Strategy (NTS). Witnesses did not want a major piece of work to refresh these but wondered if a light touch review of the NTS would be helpful to take on board changes that have happened since the first STPR. A refresh would also help to ensure the NTS and refreshed National Planning Framework 3 (NPF3) are brought together. Ewan Wallace thought a refresh would help get the role of road maintenance highlighted in strategic documents.

99. Many transport projects have been or will be funded using the Non Profit Distribution (NPD) pipeline. The prioritisation of projects to achieve optimal returns on economic growth through productivity is not however clear. As the economy recovers from recession and the Scottish Government begins to both raise its own funding through taxation or borrowing under the new Scotland Act 2012 provisions, overt justification of both the actual total expenditure on new transport projects and the prioritisation between the projects will rise in importance.

100. **Recommendation 12:** The Committee recommends that the Scottish Government considers undertaking a light touch review of the National Transport Strategy as a way of ensuring appropriate levels of investment in Scotland’s transport infrastructure as the economy moves through the economic cycle. A refresh would help prioritise projects in line with any new fiscal powers taken on in Scotland and influence the type of policies and projects the Scottish Government progresses.

101. **Recommendation 13:** The Committee recommends that the STAG appraisal methodology be re-examined to see if it can better be used as a means of prioritising between projects in terms of contributions to productivity, participation and growth.

**Group 2: The Desired Characteristics of Growth: Cohesion, Solidarity and Sustainability**

2A - **Cohesion and Solidarity**

102. The Cohesion target is to narrow the gap in Participation between Scotland’s best and worst performing regions by 2017 with the underlying philosophy that geographic cohesion will result in longer term sustainable growth. The gap between the bottom and top three regions in terms of Participation are a proxy measure. The role of the main sectors in the ICI portfolio is not specifically mentioned in Scotland Performs but Transport and Digital clearly have a significant role in promoting connectivity between regions, which as the Committee heard from witnesses, is seen as a crucial condition for economic growth and a means of ensuring such growth is spread between regions.

103. The current arrow shows performance worsening. The trend had been slowly improving up to the recession but poorer areas suffered most in this recession and the gap increased significantly after 2008/9. Although the gap fell in two subsequent years it worsened again in 2012. It is the long term trend that is of most importance here and it is not obvious yet what that is post-recession.

104. There will be no guarantee of uniform economic growth between regions in a post-recession period. At present the main focus of Scottish Government intervention is, rightly in the Committee’s view, on Learning and Skills plus connectivity. If that does not provide the desired shift in the target measure the Scottish Government may need to consider a new policy direction/initiative. That might need to supplement the learning and connectivity focus with other types of regional economic policy and regeneration.

105. Much of the Scottish Government’s existing policy in respect of geographic cohesion focusses on other connectivity with islands and rural Scotland, including
the ICI portfolio interest in Digital Infrastructure, Rail Networks, Road Equivalent Tariff, Ferries and Air Travel to Highland and Islands Airports. Although those areas are not currently part of the three worst performing areas the policies nevertheless appear to fall within the objectives of this Purpose Target.

106. Solidarity was not included in the list of Targets of most interest to the ICI portfolio although the Digital Infrastructure section in paragraphs 70 - 81 above does note the importance of digital utilisation amongst the poorest groups in society as a desirable objective. All four ICI sectors will help contribute to the Equity strategic priority of the GES.

107. In written evidence, the Existing Homes Alliance noted the lack of NPF Indicators to “adequately measure progress” against the legislative requirement on Ministers to “end Fuel Poverty by 2016 as far as reasonably practicable”42. They also wanted better informed estimates of the costs required to tackle the fuel poverty issue an allow Ministers to discharge the requirement. The Scottish Government has devoted extra resource in the draft budget to meet its commitments.

108. The current arrow is performance maintaining but it has been relatively unchanged for over 10 years. The lack of traction in this proxy measure (gap between average income of the top and bottom three deciles) even when the economy was growing illustrates how difficult and challenging it will be to improve it. The expected impacts of the UK Government’s welfare reform proposals may make improvements in the measure even harder to achieve.

109. In providing evidence to the Committee, the Cabinet Secretary noted that her portfolio had a major role to play in Cohesion and Solidarity through the multiplier effect on public sector capital investment and through Regeneration policy. Glasgow was one of the “lagging” regions and the new Glasgow FE College plus concurrent investment in South Glasgow Hospitals were examples of how public sector capital investment was used to address current cohesion issues43. In her letter to the Committee Convener of 7 November 2013, the Cabinet Secretary provided a detailed explanation of the policy on the geographical allocation for the affordable housing supply programme44. This included details of the account taken as part of this process of Cohesion and Solidarity issues such as affordability, deprivation, remoteness and homelessness.

110. The Cabinet Secretary also highlighted the interventions the Scottish Government had taken around skills and learning as being crucial – a point also mentioned by Professor David Bell in a slightly different context45. She believed UK Government welfare reform policies may have a serious impact on the

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42 Existing Homes Alliance. Written submission. Page 2, paragraph 3.
44 Cabinet Secretary for Infrastructure, Investment and Cities. Written submission, 7 November 2013. Available at: http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/13.11.07_DF_M_to_ICI_Com_re_evidence_offered_on_30_October.pdf [Accessed November 2013].
Cohesion and Solidarity measures. They are largely reserved and the scope for action by Scottish Government frequently restricted by UK Government regulations (for example the amount of resource for discretionary housing payments from the Scottish Government is restricted to topping up to 150% the payments made by the DWP). The Committee notes that the measures around Solidarity and Cohesion were either flat or worsening. It believes that both these measures are at risk from the continued aftermath of the recession and that they may also come under increasing pressures from the possible effect of UK Government’s welfare reform. Many of the factors causing these measures to be flat or worsening are not within the powers of the Scottish Government to resolve though there may be some, including a greater element of regional economic policy along the lines mentioned by the Cabinet Secretary that might need to be considered.

111. Professor Bell told the Committee that “Governments have a fairly qualified ability to influence such things as cohesion and Solidarity”. He noted that despite the efforts and money “over a long period of time” that had gone into trying to raise income “or to be precise employment participation rates in Glasgow to near what it is in Aberdeen”, there was still a gap. The Committee believes recommendations 7-13, as well as 1 and 2, will assist the Scottish Government in understanding and trying to meet the challenges faced on Cohesion and Solidarity.

112. The Committee is of the view that the NPF should be used not only to assess progress against the high level objectives but also to scrutinise Scottish Government interventions. In line with that approach the Committee would like to see the Scotland Performs narrative on these targets widened to include more of the external influences beyond the Scottish Government. To help scrutinise and assess the specific Scottish Government interventions, the Committee would like to see wider indicators of the spread of income and participation signposted as subsidiary indicators in the relevant part of Scotland Performs. That would include the effectiveness and efficiency of measures introduced by the Scottish Government to mitigate the effects of the UK Government’s welfare reform agenda.

113. While some aspects of these Purpose Targets lie within the ICI portfolio and are mentioned in the sections on housing in Group 3, much of this area falls within the remit of the Welfare Reform Committee. A co-ordinated approach to the Scottish Government may be beneficial and the Committee therefore draws this matter to the attention of the Welfare Reform Committee with the suggestion that it may wish explore it further in conjunction with the Finance Committee.

114. **Recommendation 14:** The Committee recommends that the Scottish Government considers whether the focus in both Cohesion and Solidarity on the gap between the top and bottom three regions or deciles are the only measures of spread they should use or whether subsidiary indicators might complement those high level Targets. These might include fuel poverty objectives and the supply of affordable housing at a local level. There are clearly other Scottish Government objectives in the cohesion and solidarity

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areas that appear not to be covered by participation and income – rurality and equality, issues, for example. While some of these are covered elsewhere in the NPF they are also relevant here. This issue will also be of interest to the Welfare Reform and Finance Committees.

Recommendation 15: Policies such as welfare and pensions are reserved and there is only limited action the Scottish Government can take to influence the Targets chosen. Supplementing existing Targets with other subsidiary indicators to measure performance and impact of the actions taken by the Scottish Government might help it better gauge its own prioritisation and performance and therefore assist budget scrutiny generally. The Committee suggests the Welfare Reform and Finance Committees include this element in their consideration of recommendation 14 above.

2B - Sustainability

115. This is a major cross cutting issue affecting several committees. The ICI portfolio includes both Transport and Housing which are both high carbon users. The report on Policies and Proposals (RPP2) can be regarded as the strategic and delivery framework for 2 Purpose Targets – to reduce Emissions over the period to 2011 and to reduce Emissions by 80% over the period to 2050. There is a National Indicator to reduce Scotland’s carbon footprint which, for the purpose of the Committee’s inquiry was considered together with the Purpose Targets. Both the Purpose Targets currently show performance improving arrows while the National Indicator shows performance worsening. Both are somewhat out of date with the Emissions based on 2011 and the footprint 2010. There are several other National Indicators of relevance to this Purpose Target including those in Transport dealing with Road Congestion and Active Travel which are covered in more detail in Group 3 below.

116. The ten year trend graph provided by the Scottish Government in its Budget Scorecard shows a steady downward trend in Emissions and a Performance improving arrow for both the 2011 and 2050 Targets. For the Carbon Footprint indicator there was an upward trend from 2002 to the start of the recession followed by a sharp downward movement from 2007. The 2010 figures show a significant upward bounce but remain below the pre-recession and trend level.

117. Emissions from homes and transport are two of the most significant sources of greenhouse gas emissions. Several written submissions (WWF, Sustrans, Existing Homes Alliance, Transform Scotland) pointed out that while the performance arrow suggests an improving picture, the Scottish Government has failed to meet its legally binding climate change targets in either 2010 or 2011. The Committee noted Professor Thomson’s reference to a suggestion by the Sustainable Development Commission that the Target was “ambitious” and, because the economy was growing at the time it was based on, that it was probably “more than 80%”\footnote{Scottish Parliament Infrastructure and Capital Investment Committee. \textit{Official Report, 2 October 2013}, Col 1953.}. In RPP2, policies and proposals for transport and homes were attributed with emissions reductions for 2014 of 320 and 232 kilo tonnes of CO2 equivalent respectively (574 and 336 for 2015). RPP2 estimates
the total costs, to various arms of Government plus private sector and private households, of delivering these policies in 2014 to be £59m for transport (2015-
£192m) and £517m for homes (2015- £524m).

118. The potential conflicts within or between some of the indicators was mentioned by several witnesses and in submissions (WWF, Paths for All, Transform Scotland, Spokes, Cycling Scotland). These submissions argue for increased expenditure on measures that would reduce carbon usage including around active travel and public transport and away from investment in roads. In oral evidence John Lauder argued that investment in road construction should be made only where there would be benefits through improved freight or bus use which would have carbon emissions reduction benefits. Professor Thomson also sought to differentiate between investments in “good” and bad carbon to allow them to be scored and assessed differently. That would not however, in his opinion make all road construction bad.

119. Professor Thomson estimated that “about 71% of spend was positively related to potential sustainability outcomes” with “only about 7% that was slightly acting against moves toward sustainability”. He also said that not enough was spent on sustainability even though it was being spent in the right areas.

120. Professor Thomson also touched on the statistics for the carbon footprint being out of date and sought proxies which were in real time together with modelling for the longer term- with the implication that it is longer term trends are of most interest here.

121. The Cabinet Secretary recognised that all governments had—

“to balance costs, benefits and risks and ensure that their overall approach strikes- as far as it ever can- the right balance between competing priorities.”

122. She noted that Transport Scotland—

“assesses changes in emissions as part of its standard transport appraisal process, and the carbon account for transport reports on the emissions for all major programmes”.

123. The Cabinet Secretary also said that investment in roads can support the low carbon agenda by—

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“providing better links for efficient public transport, creating infrastructure needed for the new generation of low carbon vehicles or taking traffic off local roads”.

124. She mentioned the increased funding that had been found for cycling and the recent announcement of the specific local authority areas to which expenditure for cycling infrastructure would be allocated.

125. In relation to housing, the Cabinet Secretary said that—

“our home energy efficiency programmes encapsulate three different programmes: our area based scheme, affordable warmth and the energy assistance package. Taken together, the funding sources for those programmes are in excess of £200m pa- 370m rising to £79m next year – is direct Scottish Government investment”.

126. She noted the objectives were partly around sustainability and cutting carbon usage in homes but also around taking pressure off energy bills and fuel poverty feeding into the welfare reform agenda.

127. The Committee notes the long term downward trend in emissions and the more variable trend in Scotland’s carbon footprint. The targets set were ambitious and challenging. The failure to meet two annual targets in the RPP2 is not, on its own, evidence that greater expenditure would necessarily result in immediate responses in these Targets and Indicators. The Committee noted the comments from Professor Thomson concerning evidence and modelling. Some of the investments taking place at present would have lags before their effects could be seen in the indicator measures. Professor Thomson asked why the Scottish Government hadn’t made clear what contribution would be derived in the Target from “money spent on promoting renewable energy projects”.

128. The Committee would welcome views from the Scottish Government on its use of modelling in relation to both the longer term impacts on emissions reduction of its actions being and of current societal trends in consumption on the carbon footprint. The latter in particular might benefit from the output of any study conducted under Recommendation 2. The Committee notes, however, that this is a cross-portfolio subject and therefore draws this matter to the attention of other committees and the Rural Affairs, Climate Change and Environment and Finance Committees in particular.

129. Recommendation 16: The Committee seeks the views of the Scottish Government on whether modelling the forecast effects on both emissions and carbon consumption would be useful in monitoring progress against the Sustainability Target and Carbon Footprint Indicator.

Group 3: National Indicators

130. The Purpose and Purpose targets together with the National Outcomes set out the philosophical basis for the current administration’s strategic vision and the Committee did not regard it as a matter for budget scrutiny to challenge that vision. The National Indicators however are seen as milestones important to help deliver that vision. It therefore seems appropriate to scrutinise whether they are the best proxies or milestones, whether they are challenging enough, if they are actively used to determine policy or resource allocation and whether the processes surrounding their delivery are appropriate and provide value for money.

131. The Scottish Government did not amend Indicators during the 2007/11 parliamentary term and a reluctance to alter them during a parliamentary period is understandable. But a main part of the value of an outcomes based approach is to use the information generated and the feedback it offers in the most constructive manner. That might mean occasionally revisiting and refining certain indicators during the course of a parliamentary session. That should be with the agreement of those involved and with parliamentary oversight. In many cases changes could be introduced or made simply by using the narrative against the Indicators in Scotland Performs. The principle should be to use the indicators as a decision making tool not as a tick box exercise.

132. The Committee therefore welcomed the confirmation by the Cabinet Secretary that there was to be a general refresh of Indicators. It awaits details of how that refresh will be carried out and believes the recommendations in this report will assist.

133. The Committee looked at the Indicators that appeared most relevant to its remit but acknowledges that the main sectors covered by the portfolio will contribute to several other Indicators and outcomes. The Digital Infrastructure indicator was considered under Group 1 and the Carbon Footprint under group 2B -Sustainability above.

**Housing**

134. Housing has two National Indicators directly associated with it – namely “Improving access to suitable housing options for those in housing need” and “Increasing the number of new homes”. In addition, it will be a major contributor to helping reduce Scotland’s carbon footprint and a significant contributor to a wide variety of other National Outcomes and Indicators in the Health, Communities, Justice, environment and social fields.

135. Several witnesses and written submissions described the Indicator on options for those in housing need as being overly narrow around homelessness. Eradicating homelessness was clearly an important component of housing policy but concentrating exclusively on it, rather than on other types of housing need such as affordability and needs of vulnerable people, meant there was a gap in the NPF and on the scrutiny of the impacts of Scottish Government expenditure and policies. Jim Hayton noted that everyone who was homeless should now be entitled to settled accommodation by the end of last year due to the 2012 Homelessness Commitment and that a fresh look at this indicator would be
useful\textsuperscript{56}. The Indicator shows a performance improving arrow and is approaching 100%.

136. The Cabinet Secretary agreed that this indicator had largely been achieved as “we have abolished the priority need distinction in our approach to homelessness”\textsuperscript{57}. The Committee does not want to offer specific text for a new indicator but hopes that the Scottish Government makes the process of selecting a refreshed housing needs indicator transparent. The narrative surrounding the indicator should mention any relevant subsidiary strategies, targets and indicators to allow clarity and scrutiny around Scottish Government interventions that seek to deliver the indicator.

137. **Recommendation 17:** The Committee welcomes the Cabinet Secretary’s agreement to refresh this indicator and recommends that a new housing needs indicator is developed for Scotland Performs. That new indicator should reflect the broad range of social housing needs - availability, affordability and vulnerable people.

138. The impact of housing policy to mitigate the detrimental effects of the UK Government’s proposals for welfare reform was touched on by expert witnesses and in several written submissions. Most sought to move discussion away from just the effects of the “under-occupation penalty” or “bedroom tax” and onto a wider range of issues where housing investment and policy might help those worst affected. The provision of £20m in this financial year and next to assist councils make discretionary payments was welcomed as “proportionate” by David Bookbinder of CIHS but fears remained over welfare changes still to come and the impact on rent arrears and council finances. The need for continued flexibility by the Scottish Government and its partners in responding to impacts was stressed.

139. Professor Gibb reported case studies showing potential differential impacts on different groups affected by the changes with low income earning households apparently better able to devise strategies to mitigate the effects than those on Disability Living Allowance\textsuperscript{58}. Continued close working between Government and housing partners was requested as the welfare changes were implemented.

140. The Cabinet Secretary said that, following an approach from Shelter, an extra £9.2m to top up Discretionary Housing payments had been made available from Scottish Government resources. She explained that—

“the responsibility for the old social fund, which covered crisis loans and community care grants, was transferred to the Scottish Government, along with a budget for that. In our estimation, the budget was not high enough to deal with demand at the time, let alone the increased demand that we


anticipated would arise as a result of the welfare changes, so we took the decision to top that up by £9.2 million\textsuperscript{59}.

141. The Cabinet Secretary also advised Committee that the fund “has been established on a transitional basis” and would be delivered by local authorities but underpinned by national guidance. She said that “perhaps surprisingly the fund is under-applied for” and that the Scottish Government was “working hard to raise awareness and make sure everyone who can benefit from the fund is benefitting from it”. She also said that—

“working relationships between us, COSLA, the 3rd sector and voluntary organisations have been very good because we are all focussed on the objective of mitigating, as far as is possible, the impact of some of these cuts on the most vulnerable people in our society”\textsuperscript{60}.

142. The Scottish Government has made up to £20m available for mitigation of the under-occupancy penalty. The Cabinet Secretary said that was the maximum legally permissible under Westminster Regulations concerning DWP Discretionary Housing Payments to Local Authorities. A further sum of up to £20m would be made available next year with the actual amount determined by the amount the UK Government makes available\textsuperscript{61}.

143. The Committee notes that housing is only one aspect of the desire to mitigate the effects of welfare reform in Scotland and that the Welfare Reform Committee is in the lead on the subject. The need to ensure any resources are prioritised and targeted while remaining in tune to a long term strategic goal suggests that there should be something more specific on this subject in the NPF to permit better budget scrutiny. The obvious place within Scotland Performs to do that would be in the narrative around Solidarity as well as a refreshed housing needs indicator.

144. Recommendation 18: The Scottish Government’s intention to mitigate certain aspects of the impact of welfare reform is something that would best be picked up in the Solidarity Purpose Target. The Committee recommends that the Scottish Government revise the narrative around Solidarity to reflect the objectives of its interventions here. Recommendation 17 should allow subsidiary indicators to cover the vulnerable groups that are likely to be adversely affected.

145. The indicator to increase the number of new homes has been the subject of previous consideration by the ICI committee in recent years. The arrow shows performance worsening and there has been a downward trend seen since the recession started in 2008 as private building fell dramatically. Expert witnesses felt that over the most recent 3 year period the resources allocated had been drastically reduced at the start but were now being increased – from £630m in the

original three year budget to £970m in the current draft budget. For example, Jim Hayton said that we still have a big housing shortage in Scotland to address and that additional resources were always needed to do that. The money allocated was well prioritised through local authorities, housing associations and private sector partners. Susan Torrance and Professor Gibb felt that the restoration of grant levels announced in July had restored confidence to the social housing sector and had helped ‘overcoming at the margins’ some of the private finance issues seen in last year’s ICI Budget committee report. David Bookbinder also noted that staging payments instead of waiting for completions had assisted the sector’s confidence. Professor Gibb warned that there was a lack of information in the system on how many associations’ plans for development were delayed.

146. As noted in paragraph 29 and 88 the Cabinet Secretary said that the Scottish Government was “on track to meet our target of 30,000 affordable houses during the current parliamentary session” and “the target of 20,000 houses being affordable social rented housing, as well as the target of 5,000 council houses that sits within that”. She said that the worsening performance indicator was “because of wider market conditions.”

147. The Scottish Government has also announced a “help to buy 2” scheme targeted at new build by the private sector. The restriction to new build was welcomed by all expert witnesses although the upper limit of £400,000 was felt by some to be high. The existence of a Monitoring Board for the board overseeing issues like prices, take-up and links to affordable housing supply was also noted and welcomed.

148. Witnesses such as the Chartered Institute for Housing in Scotland noted that original budget allocations in SR 2011 had led them to doubt whether the Scottish Government would meet its specific social housing target of 30,000 new homes over the lifetime of the current Parliamentary session. Recent changes in total budgeted resource for housing, grant rates and payment phasing appear to have restored some of the confidence in the market. Witnesses including CIHS and the SFHA said they understood that budgets have been under tremendous pressure.

149. The Committee welcomed the increases that had been made in budgeted resources for 2014/15 which, along with the changes in subsidy rates and phasing, had restored confidence in the market and left the target for affordable housing potentially achievable. That target is an example of the type of subsidiary indicator that the Committee is calling for elsewhere to be incorporated or signposted within.
the NPF and Scotland Performs. The current indicator is for total new build. That remains negative due to the on-going recessionary aftermath. It may be assisted by the Help to Buy 2 scheme though it was unlikely that the scheme would, on its own and without some changes in general market confidence and economic growth in the economy, restore this indicator to a positive. The Committee noted the advice from expert witnesses that the longer a consistent policy can be maintained, the better for the providers.

150. Recommendation 19: The National Indicator was showing a worsening performance arrow largely due to the post-recession problems of the private sector house building market. The Committee welcomes the measures the Scottish Government has taken to address the problems of a possible shortfall in the affordable housing supply in the draft 2014/15 Budget. Some of the comments from experts suggest an early warning system of issues as they arise may help adjust policy quicker and the Scottish Government should consider disaggregating the new homes indicator into its essential components would help in the future.

Transport
151. There are four National Indicators directly involving the transport budget, although it influences several others.

152. On the National Indicator to reduce deaths on Scotland’s roads the latest arrow shows performance improving and there is a long term trend of reductions in fatalities. The Scotland Performs webpages record some very positive and broad ranging actions that have been taken over the years and the strategy, framework and subsidiary milestones that have been put in place to ensure success and continuous improvement. The data has been disaggregated highlighting areas where fatalities remain of concern notably amongst young people, motorcyclists and in rural areas.

153. Several of those who provided evidence (SPOKES, Cycling Scotland, Paths for All, Sustrans) reported that while deaths overall were reducing, the number of deaths of cyclists or pedestrians last year had recorded an increase. They hoped that the Scottish Government would facilitate research into the reasons and shift focus onto what had happened and how to overcome it.

154. Ewan Wallace felt that the inclusive “project” model approach that had been adopted to address this specific indicator was transferable to other indicators. Road safety interventions cause and effects were closely aligned making evaluation straightforward and routine following most projects allowing lessons to be continually learned. Other indicators were more complex but the approach could still be used\(^{68}\).

155. The Committee is of view the project management approach for this indicator might provide a useful role model for others. It supports the call for further research into the cause of the recent year’s increase in cycling and pedestrian

deaths and hopes that this could be facilitated within the project management arrangements that had worked well in reducing overall road deaths.

156. **Recommendation 20:** The Committee welcomes the project management approach that the Scottish Government had taken on this important Indicator and the successes it has achieved. It notes the request for further research into areas where problems remained and calls on the Scottish Government to take this forward.

157. **Recommendation 21:** The Committee is of the view that the project management approach that has been adopted in relation to the road deaths indicator is a useful Indicator model for other National Indicators to follow. The project had brought all main players and influencers together, established a strategy and framework with milestones, alignment of agencies, thorough evaluation, disaggregation of data to identify remaining difficult issues and the use of appropriate behaviour change methods. The Committee therefore calls on the Scottish Government to consider which other National Indicators might benefit from the adoption of a similar model.

158. Many of the written submissions received by the Committee focussed on the budget arrangements for the National Indicator to increase the proportion of journeys made by public or active transport. Most argued the budget was either insufficient to achieve what was required (Ewan Wallace, John Lauder, Paths for All, Transform Scotland, Spokes, Sustrans and Cycling Scotland) or lacking in clarity (Transform Scotland). Spokes requested that the ICI Committee continue to call for increased funding and, to emphasise the point, also called for it to identify which areas should have less spent on them. The potential conflict between expenditure on road building and this Indicator was mentioned by several witnesses and correspondents (see sustainability section above).

159. Many organisations and witnesses welcomed the recent announcement of £20m to be spent on cycling infrastructure but wanted to see more done in this area. They stressed the contribution that this Indicator could make to other outcomes in environmental (see Sustainability above), health and societal well-being and called for greater engagement with transport interests by health organisations. John Lauder noted that expenditure in this area is an example of preventative spending that should be encouraged.

160. The current performance arrow shows performance maintaining and the long term trend is flat around 30% of total journeys since 1999. The narrative on Scotland Performs reports data from both the Health Education Population Survey and the Household Survey, both of which record people’s behaviours. The actions that Scotland Performs identifies for the Scottish Government focusses on infrastructure in rail, tram and bus services as well as cycling infrastructure which has received an additional £20m allocation. Some witnesses were enthusiastic to see greater use made of behaviour change methods and highlighted some good local examples where they had worked despite what were often relatively long pay-back periods.

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161. A key point of the NPF is that individual budget lines should not be important if all are focused on an agreed set of outcomes. Nevertheless the Committee welcomed the letter from the Cabinet Secretary for Finance, Employment and Sustainable Growth to Patrick Harvie MSP on 12 September 2013 setting out the various investments in active travel that the Scottish Government makes across portfolios. However, as the Cabinet Secretary noted, there are no straight lines between expenditure and the delivery of any outcome, target or Indicator. The lack of hypothecation of spend on a particular form of travel should not therefore be of prime importance. What is important is getting a better understanding of why this indicator has been flat across 15 years and what might be done to improve it. That requires greater research and knowledge of people’s behaviour choices and what would alter those choices. The provision of infrastructure should only be done if that will make a positive difference to behaviours.

162. The Cabinet Secretary said that—

“throughout the budget you will find ways in which we are trying to achieve a modal shift from car to public transport, and active travel is clearly a long term agenda. People form travel habits over long numbers of years and they do not change them easily, so it is something that we must prioritise in the short term but stick at it long term too. Perhaps the long-term nature of such change in some way explains the flatness of the indicator.”

163. **Recommendation 22:** The Committee believes the adoption of a similar project management type approach as shown in the road deaths indicator with a single co-ordinated cross-cutting team involving all relevant players could develop a new strategy and framework for actions. That group should include Health organisations and employers. The Committee welcomes the letter from John Swinney to Patrick Harvie MSP offering greater detail of the various budgets assigned for active travel. The Committee hopes that this information will be built into the budget documentation for future years to assist the development of a new strategy and framework for action.

164. **Recommendation 23:** The Committee recommends that the Scottish Government investigates and reports on the underlying reasons for this indicator remaining flat for so long and considers whether making more use of Behaviour Change methodologies might help shift modal choice.

165. **Recommendation 24:** The Committee welcomes the £20m additional allocation for cycling and calls on the Scottish Government to ensure rigorous evaluation of the costs and benefits that are derived from this investment to inform future injections of resources.

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70 Cabinet Secretary for Finance and Sustainable Growth. Letter, 12 September 2013. Available at: [http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/Signed_letter_from_J_Swinney_to_Patrick_Harvie_-_cycling_budget_-_12_Sept____pdf](http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/Signed_letter_from_J_Swinney_to_Patrick_Harvie_-_cycling_budget_-_12_Sept____pdf)

166. The Indicator to reduce road congestion also threw up potential conflict or inconsistency with what was described in several written submissions as the continued significant expenditure on road building. Several witnesses (Paths for All, Transform Scotland, Sustrans) expressed the view that road building to alleviate congestion often had the reverse effect by encouraging more car use and merely shifting where the congestion occurred. The performance arrow is currently performance maintaining though the most recent data is for 2011 and no later proxies are mentioned on the Scotland Performs webpages. The longer term trends show a slow rise in perceived congestion (which is what is actually measured here) to 2008 followed by a slow decline to 2010 and a small rise in 2011.

167. George Mair of CPT suggested that offering park and ride facilities further out of cities might help reduce commuter traffic. He also referred to research into changing people’s behaviours based on generalised commuting time. Phil Flanders noted his organisation’s support for increased transfer of freight traffic from road to rail and work with his members on behaviours around concentration to avoid accidents.

168. **Recommendation 25**: The Committee recommends that the Scottish Government should consider if project management arrangements similar to those used in the road deaths indicator might help with the road congestion indicator.

169. **Recommendation 26**: The Committee notes that the Indicator is currently ‘perceived’ congestion and believes it would be helpful to collect data showing actual congestion times on a selection of major and minor routes to set against this (in the same way that crime rates and perceptions of crime often vary).

170. **Recommendation 27**: Any work on behaviour change under recommendation 22 should include studies of behaviours around congestion.

171. The Indicator to increase use of Scotland’s outdoors is clearly only partly to do with transport. Access through good roads and public transport certainly facilitates visits to the countryside and George Mair noted the beneficial effects of the concessionary fares scheme to promote this amongst one client group. SPOKES described the indicator as on a downward trend and stressed the role improved cycling infrastructure could play in “getting people to use bikes, thus bringing more people outdoors”\(^\text{72}\). Paths for All noted the links to health outcomes of this Indicator and the benefits that might be gained from investment in pedestrian infrastructure.

172. The current arrow is Performance worsening. Analysis of longer term trends suggests that the measure has fluctuated around the 45% mark (of adults making at least one visit per week to the outdoors) for a decade. There is no suggestion on Scotland Performs that the worsening recent arrow based on latest data for

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\(^\text{72}\) SPOKES. Written submission. Page 4, paragraph 7.
2012 was due to transport. The Committee is of the view that more work was
needed around the explanatory narrative for this measure.

173. Recommendation 28: The Scottish Government should consider if
project management arrangements similar to those used in the road deaths
indicator might help with this indicator.

174. Recommendation 29: Any work on behaviour change under
recommendation 22 should include studies of how to shift behaviours to
encourage greater use of the outdoors using public or active travel.

DRAFT BUDGET DOCUMENT

175. The draft budget document currently has a chapter setting the strategic
context for the budget covering the current fiscal position and the economic or
social priorities the budget seeks to address. The document is then divided into
portfolio chapters covering each of the main portfolios in the Scottish Government.
Those chapters all start with a strategic context similar to that shown in the
opening chapter. The Committee considers that these sections could help some
portfolios show a broad approach to the Purpose and Purpose Targets. At present
they are more of a statement of portfolio plans with little linkage between portfolios
toward a common end.

176. The portfolio chapters all have a section stating which National Outcomes
are most relevant to the portfolio. Those sections do not follow a standard model
making comparisons and linking different portfolios to the same National
Outcomes difficult.

177. The portfolio chapters note budget changes and priorities before showing
budget allocations at levels 2 and 3. Level 4 allocations are published separately.
There is no attempt to link spend to specific Targets or Indicators. Nor is there
much mention of prioritisation in the expenditure to achieve greater progress
toward certain preferred Outcomes, Targets or Indicators. The document clearly
requires a considerable amount of work to produce it.

178. This method of setting out budget allocations has a long history and does
allow for responsibility to be clearly assigned. However, the established method is
not the only way that it could be done, especially under an outcomes-based
approach. Professor Thomson asked “if the budget was a shift to outcomes-based
budgeting why is it presented in the context of ministerial portfolios?”73. Professor
Thomson noted that changes to the way Virginia Performs is set out means “the
degree of state influence is assessed against each of the Performance measures”.
They called for changes to the Budget documentation to better link expenditure to
performance and embed the NPF within spending plans74. Transform Scotland

73 Scottish Parliament Infrastructure and Capital Investment Committee. Official Report, 2 October
2013, Col 1932.
74 Scottish Parliament Infrastructure and Capital Investment Committee. Official Report, 2 October
2013, Cols 1929 – 1930.
also called for future year’s budgets to “have expenditure decisions explained as to how they will contribute to the National Indicators”\textsuperscript{75}.

179. Other ways of publishing such information would involve using the indicators and showing all the expenditure lines that contribute to their achievement or progress. This is, in effect, what John Swinney has done for active travel in his letter to Patrick Harvie MSP\textsuperscript{76}. Trying to do this for all fifty indicators and eleven Purpose Targets as well as producing a traditional budget document would be onerous and probably not cost effective. Producing only a statement of budgets contributing to Indicators or targets might not be as comprehensive as required for scrutiny purposes.

180. The new finance raising powers of the Scottish Government stemming from the Scotland Act 2012 will require a new section on revenue raising and the required balance with expenditure. This means changes that in the draft budget document are likely to occur soon and some simplification might therefore be helpful. This might include greater assignation of spend lines to Targets, National Outcomes and Indicators to improve prioritisation and scrutiny.

181. \textbf{Recommendation 30: The Committee calls on the Finance Committee to consider if the current Scottish Government draft budget document could be made more usable for tracking expenditure designed to influence each Purpose Target, National Outcome and National Indicator and to start discussions with the Scottish Government to make such changes.}

\textsuperscript{75} Transform Scotland. Written submission. Page 3, paragraph 1.
\textsuperscript{76} Cabinet Secretary for Finance and Sustainable Growth. Letter to Patrick Harvie MSP, 12 September 2013. Available at: http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/65145.aspx.
ANNEXE A: EXTRACTS FROM THE MINUTES OF THE INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

15th Meeting, 2013 (Session 4): Wednesday 26 June 2013

Work programme (in private): The Committee agreed its work programme and its approach to the budget process 2013-14. It also agreed to appoint a budget adviser.

16th Meeting, 2013 (Session 4): Wednesday 11 September 2013

Draft Budget Scrutiny 2014-15 (in private): The Committee considered and agreed a candidate for the post of budget adviser.

18th Meeting, 2013 (Session 4): Wednesday 2 October 2013


Professor David Bell, Professor of Economics, University of Stirling;
Prof Michael Fourman, Chair of the Digital Scotland Working Group, Royal Society of Edinburgh;
Professor Geoffrey Gooch, Chair of Water and Environmental Policy, University of Dundee;
Professor Ian Thomson, Professor at Department of Accounting and Finance, University of Strathclyde.

19th Meeting, 2013 (Session 4): Wednesday 9 October 2013


Phil Flanders, Director - Scotland & Northern Ireland, Road Haulage Association;
John Lauder, National Director for Scotland, Sustrans;
George Mair, National Director for Scotland, Confederation of Passenger Transport;
Ewan Wallace, Chair, Society of Chief Officers of Transportation in Scotland;
David Bookbinder, Head of Policy and Public Affairs, Chartered Institute of Housing in Scotland;
Professor Kenneth Gibb, Professor in Housing Economics (Urban Studies), University of Glasgow;
Jim Hayton, Policy Manager, ALACHO;
20th Meeting, 2013 (Session 4): Wednesday 30 October 2013


Nicola Sturgeon, Cabinet Secretary for Infrastructure, Investment and Cities;
Sharon Fairweather, Director of Finance, Transport Scotland;
Janet Egdell, Deputy Director, Infrastructure and Investment Unit, and;
Bill Barron, Head of Investment & Local Strategies Group, Scottish Government.


21st Meeting, 2013 (Session 4): Wednesday 6 November 2013

Draft Budget Scrutiny 2014-15 (in private): The Committee considered a draft report to the Finance Committee on the Scottish Government's Draft Budget 2014-15, and agreed to consider a further draft at it's next meeting.

22nd Meeting, 2013 (Session 4): Wednesday 13 November 2013

ANNEXE B: EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

18th Meeting, 2013 (Session 4): Wednesday 2 October 2013

Oral Evidence
University of Stirling
Royal Society of Edinburgh
University of Dundee
University of Strathclyde

19th Meeting, 2013 (Session 4): Wednesday 9 October 2013

Oral Evidence
Scotland and Northern Ireland, Road Haulage Association
SUSTRANS
Confederation of Passenger Transport
Society of Chief Officers of Transportation in Scotland
Chartered Institute of Housing in Scotland
University of Glasgow
ALACHO
Scottish Federation of Housing Associations

Written Evidence
SUSTRANS
Chartered Institute of Housing

20th Meeting, 2013 (Session 4): Wednesday 30 October 2013

Oral Evidence
Nicola Sturgeon, Cabinet Secretary for Infrastructure, Investment and Cities

Supplementary written evidence

Nicola Sturgeon, Cabinet Secretary for Infrastructure, Investment and Cities
Nicola Sturgeon, Cabinet Secretary for Infrastructure, Investment and Cities
ANNEXE C: OTHER WRITTEN EVIDENCE

- BT Scotland (235KB pdf)
- CBI Scotland (201KB pdf)
- CIH Scotland (219KB pdf)
- Cycling Scotland (238KB pdf)
- ESPC (157KB pdf)
- Existing Homes Alliance Scotland (190KB pdf)
- Professor Ken Gibb (186KB pdf)
- Glasgow City Council (97KB pdf)
- Humphry, Roger (Individual) (6KB pdf)
- ICE Scotland (172KB pdf)
- Ofcom (100KB pdf)
- Paths for All (172KB pdf)
- SFHA (185KB pdf)
- Spokes (251KB pdf)
- South Lanarkshire Council (148KB pdf)
- Sustrans (149KB pdf)
- Transform Scotland (99KB pdf)
- WWF Scotland (293KB pdf)

Supplementary written evidence:

- Cabinet Secretary for Infrastructure, Investment and Cities (1164KB pdf)
- Cabinet Secretary for Infrastructure, Investment and Cities (433KB pdf)