OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Constitution Committee

Wednesday 11 November 2020

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 11 November 2020

CONTENTS

FINANCE AND CONSTITUTION COMMITTEE
28th Meeting 2020, Session 5

CONVENER

*Bruce Crawford (Stirling) (SNP)

DEPUTY CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP)
*Tom Arthur (Renfrewshire South) (SNP)
*Jackie Baillie (Dumbarton) (Lab)
*Alexander Burnett (Aberdeenshire West) (Con)
*Angela Constance (Almond Valley) (SNP)
*Patrick Harvie (Glasgow) (Green)
*Dean Lockhart (Mid Scotland and Fife) (Con)
*John Mason (Glasgow Shettleston) (SNP)
*Alex Rowley (Mid Scotland and Fife) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Ian Findlay (Paths for All)
Judith Robertson (Scottish Human Rights Commission)
Jennifer Wallace (Carnegie UK Trust)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Virtual Meeting

Scottish Parliament

Finance and Constitution Committee

Wednesday 11 November 2020

[The Convener opened the meeting at 10:30]

Pre-Budget Scrutiny 2021-22

The Convener (Bruce Crawford): Good morning, and welcome to the 28th meeting in 2020 of the Finance and Constitution Committee. I hope that everybody is well.

Before we take the first item this morning, I remind members that an act of remembrance will take place at the Scottish Parliament this morning. I therefore propose to pause the committee at around 11 o'clock so that we may observe two minutes' silence. Unfortunately, that might mean that I will have to interrupt anyone who is asking or answering a question at that time, and for that I sincerely apologise in advance.

Agenda item 1 is for the committee to take evidence on pre-budget scrutiny. This is our third panel of stakeholders, and we are interested in the impact of Covid-19 on public finances and so on.

I warmly welcome our witnesses to the meeting and thank them for providing us with some written submissions, which were very useful. We have Jennifer Wallace, head of policy, Carnegie UK Trust; Ian Findlay, chief officer, Paths for All; and Judith Robertson, chair, Scottish Human Rights Commission.

I will go straight to questions, and I will start. Jennifer Wallace, in your submission you talked about putting

"national wellbeing at the centre of the 2021-22 Budget"

and about the need for a "new narrative" to be developed. I was interested that you say that the key elements of a new narrative include long-term planning and building in resistance, rebalancing economic, environmental, and social outcomes, and addressing inequalities. Given the current situation and the increasing uncertainty and volatility in the Scottish budget, how do you see that long-term planning working in practice? What specifically do you mean by the rebalancing of outcomes?

Jennifer Wallace (Carnegie UK Trust): Thank you, convener, and good morning. It is a pleasure to be with you and to have this opportunity to talk to you about our submission.

The work that the Carnegie UK Trust does is informed by the understanding of wellbeing as societal wellbeing, which encapsulates social, economic, and environmental outcomes. We have been a partner with the Scottish Government for a number of years, working on the national performance framework and how to build it up so that it serves us all and supports the development of our wellbeing. It is from that perspective that I am speaking primarily.

Our sense of that 10-year journey on the national performance framework is that the intention is strong and the political will is there but progress in shifting public services to delivering on those outcomes has been slow. It is the slow, stilted nature of the change that concerns us. I should say that we are not alone in thinking that. In the 10 years since the Christie commission, many commentators have said that there has been a limited shift towards joined-up and preventative spend. In many of our research and policy development conversations, people point to the budget process as the stumbling block to shifting to a larger-scale vision on national wellbeing.

There are good reasons for that, some of which relate to transparency, and our submission raises issues around the transparency of the budget. We are also still in a situation in which the outcomes are considered after the main bones and structure of the budget are in place rather than before. We think that that is particularly important now because, when money is tight—we can all anticipate the volatility and difficulty in public finances over the next few years—we must be careful about how we spend that cash, and we do not want to waste the time and opportunity to spend it in ways that could reduce demand on public services in the future.

Let me give you an example of that. I hope that you will all be familiar with the care review and the "follow the public pound" methodology that was used on the back of that. That review discussed how we can assess the failure demand on public services. In our tight financial settlement, there is of course an argument for restricting public services to those most in need, but where we know, through evidence, that restricting them will cause more problems and more costs in the long term, we would argue that this is not the time to restrict such spend.

I will close my comments on this point by talking about the perspective of the Carnegie UK Trust. We have been on this journey for 10 years, and I have also conducted independent research into the 20-year history of Scotland's devolution journey. The first time the committee raised concerns about the budget process and the lack of connection between inputs and outcomes was

back in 2000. I reflect on that, because there never seems to be a good time to start that journey, whether that is because we have other priorities as a society or because we are still getting to grips with things in the early days of the Parliament. Although I appreciate that this may not feel like the best time, my question back would be, "When will be a good time?"—as time moves on, and people are struggling now.

The Convener: That is a very helpful opening, which has set out the general picture. I am grateful for that.

Obviously, as you have recognised in your opening answer, the cash resource is going to be tight, to say the least. Given the significant new pressures that will inevitably arise in the health and care sector and in economic recovery, could you say a bit more about how we begin to turn some of the words that you have just used into practice as far as the budget is concerned, so that we can get some sense of what they mean in practice and in reality for the budget?

Jennifer Wallace: Thank you for the opportunity to expand on those points and on where we are at the moment in the relationship between outcomes and budget. Primary and, occasionally, secondary outcomes are sought. In order to maximise the wellbeing impact on the population, we could refocus and think about how every area of spend maximises its impact on every outcome. I appreciate that that is a job of work, and I will come on to how we might do that together, but that approach would help us to think about how, in every policy, we are building a better environment and making things better for children and young people.

If we take classic economic or infrastructure policies, there are ways to build infrastructure policies that have both social and environmental outcome built in, rather than bolted on at the end, and we hope that the Scottish Government could move forward in thoughtful ways of that sort. It can meet what it needs to achieve in this time, but it can do so in such a way that it has the maximum impact across all the different domains of wellbeing.

As for how you do that, one thing that strikes me is that the policy process for developing and appraising budget proposals is not transparent. The wealth of knowledge that my sector, non-governmental organisations or the academic sector might have to bring to policy proposals is not being harnessed. At a time when we are trying to maximise those wellbeing outcomes, we need to use the best evidence that we have from across Scotland on what works as policies are developed. That can be done only in a spirit of openness and transparency in which we agree that we need to get the best—and there will be difficult decisions in that. Not everybody's evidence can be used and not everybody will get the trade-off that they want out of the process. However, in a collective, open and transparent process, people will at least have the opportunity to put forward more of their sense of what might make a difference.

The Convener: Would Judith Robertson or Ian Findlay like to pick up on any of that theme before I move on to Murdo Fraser's question? I see that Judith has her hand up. You can also use the R in the chat bar, which helps me understand who wants to come in.

Judith Robertson (Scottish Human Rights Commission): Many thanks for the invitation to be here this morning. I want to build on what Jennifer Wallace has said. From the perspective of the Scottish Human Rights Commission and from a human rights perspective, taking a rights-based approach to the budget process implies all that Jennifer has said. It implies that the budget is not the beginning of the process but comes after the policy outcomes that we seek to achieve have been generated. Taking a rights-based approach to that process enables policy makers to use a clear, internationally agreed framework of rights, to which the UK Government and the Scottish Government—through the Scotland Act 1998—are signed up and under which they have obligations across the spectrum of civil, political, economic, social, cultural and environmental rights. Those obligations are clear, are set out in international human rights law and provide a series of standards, principles and ways of operating that do a number of things, such as clearly providing standards on which, as a nation, we should expect to build our budget allocations and—first in that process—our policy goals and objectives.

The Scottish Human Rights Commission, like the Carnegie UK Trust, has been involved in the national performance framework process over many years and heavily involved in the establishment of the indicators of success in meeting the outcomes to which the national performance framework leads. Across the framework of approaches, you will see many examples of where what is being talked about in effect—although not explicitly—is achieving people's rights to a better degree.

Rights are implicit across the whole of the framework, across many objectives of Government and implicit—occasionally explicit—in some of the key areas of policy that the Government has in its gift at the moment.

As well as the ways and processes through which the framework functions, which include all that Jennifer has said, ensuring the participation not just of NGOs, academics and society—although that is an important and crucial part of the process—but of those for whom the policies

are directly intended to have an impact is important. People with disabilities, people who are on the sharp end of the impact of Covid and those who work in the low-wage economy in Scotland—a large section of our workforce—would then be directly involved in conversations around both the policy goals of the Government and the budget allocation, as they are intended to be.

As well as the different policy areas on which human rights impact, and the participation aspect, there are key standards and principles. I want to reiterate the importance of transparency, which Jennifer has already highlighted. Transparency is a human rights principle, and the Commission, along with a number of other partners, has done a lot of work to try to analyse the budget process both at Scottish Government level and as it plays out at public authorities level in Scotland, where most of the money is allocated.

That process is incredibly difficult at the moment however, because the lines through which one can, as we have said, "follow the money" are almost impossible to find—I am sure that the committee has found over the years that it is not an easy thing to do. That is a fixable problem, but it is a crucial one.

I would argue that it is when such a crisis or a shock to the system happens that we have the greatest opportunity to change, because everything is in flux. Rather than playing safe and holding on to what we know, now is the moment to open things up and say, "Okay. What we have got so far has got us to here, but we need to do something differently in order to do things better in the future." The narrative about building things back better is important, but such an approach needs to involve really engaging with people's rights.

10:45

I could talk for a lot longer, but I will stop now. Perhaps in the course of the meeting I could come back to the other points that I would like to make.

The Convener: I am sure that there will be plenty of opportunity, Judith.

Ian Findlay, would you like to pick up on that quickly? Then we will go to questions from Murdo Fraser.

Ian Findlay (Paths for All): Good morning, everyone. Thanks very much for inviting me to join the committee's session.

I reinforce and support what Jennifer Wallace has said about embedding wellbeing in the budgetary process more fully. Convener, you asked how that could be done practically. I will briefly outline two relevant key concepts or principles. One is thinking about preventative spend, which is a concept that goes back to the report of the Christie commission from more than 10 years ago but I think still applies. It is about spending a little now to save a lot later on. That is particularly applicable to the key challenges that we face, such as climate change, public health and inequalities. The thing about preventative spend is that, as Jennifer Wallace said, in some ways, there is never a good time to start doing it. However, there is also no time like the present. Such an approach would start to tackle the causes of those big challenges, rather than the more unsustainable approach that endlessly treats their symptoms.

The other concept is about applying more of a systems approach to the ways in which we deliver policy and design our budgets. Gone are the days when we would think of budgets in isolation—for example, separate budgets for health, transport, the economy and communities. A systems approach would allow for a much more integrated practice, in which we would think about policy alignment. Health is a good example of an area in which we could do that, because it is not just up to the health budget to deliver outcomes in that area; policies on transport, climate change, land use and the planning system all have a huge part to play in delivering those.

Therefore we need to think about such issues more in terms of the systems that are involved and by joining up policy areas. That approach should also apply to budgets, so that when we consider a particular challenge we look not only at the principal policy area but across the whole budget, to see how every part of it could contribute to the relevant outcomes. For example, in the health area those could cover the challenges that are presented by the Covid-19 epidemic.

I hope to come on to talk about how investing in physical activity—particularly walking and cycling—could help with preventative spend on health and is a good example of such a systems-based approach. I will leave that aspect for later on, when I hope to have the opportunity to return to it.

The Convener: I am sure that you will, Ian.

Many members have indicated that they want to ask questions, so we will begin those by going over to Murdo Fraser.

Murdo Fraser (Mid Scotland and Fife) (Con): My question follows on from the convener's line of questioning. All our witnesses have talked about planning for budgets in quite high-level terms. Given that we are looking to have the Scottish Government's budget coming out in January, could I press you to discuss their more practical aspects?

In the coming budget, what changes would you like to see, compared with where we have been in the past? What are the areas on which you would like to see more emphasis being put, which might involve revenue or capital spending? Given the issues with budget pressures, where would you like to see less money being spent in order to make our approach affordable?

Perhaps Ian Findlay could answer that first, and then we could work our way around the witnesses.

Ian Findlay: My top priority is very simple and can be applied to everyone, every day, everywhere. It also represents very good value for money—in fact, it would result in a net saving, rather than a cost, for the Scottish budget in the long term. I am talking about more investment in physical activity—in particular, in infrastructure relating to recreational walking and active travel, which involves walking, wheeling and cycling for everyday short journeys.

I know that we are already investing a lot in that area, which is extremely welcome, but I am talking about an increase in the pace and scale of change. That will require up-front investment, but I firmly believe, and the evidence shows, that in the long term—to go back to my point about preventative spend—it would actually save money.

Where is that money going to come from? I am talking not so much about an increase in the size of the budget, but more about a reallocation process. I go back to my second point, which was on systems change. For example, the health budget is—quite rightly—predominantly spent on primary care, as it has to be; that is important. We have a fantastic health service and it is good that we put resources into it. However, in the fullness of time, I would like to see a reallocation of funding from primary care to prevention. I want—this is a bit glib in some ways—for us to invest more in a wellbeing-promoting health service rather than in an illness-fixing health service, which goes back to my point about preventative spend.

I am talking about not additional funding but reallocation of funding, including reallocation from different parts of the budget. I go back to my original point about health outcomes. The transport budget can really support health outcomes. A good current example is spaces for people, which is a road reallocation initiative to promote walking and cycling and public health; it is actually funded through the transport budget. I am talking about reallocation not just within one budget heading, but across budgets.

Such an approach is also directly relevant to Covid-19. There is now very good evidence that being physically active immediately and significantly enhances the immune system. If we want to prepare the population to be as resistant as possible to Covid-19 and future pandemics, and to bugs in general, one of the best things that we could do would be to invest in physical activity.

The difference that physical activity makes to the immune system is greatest for people who are either inactive or who suffer from long-term health conditions, who are also those most susceptible to Covid-19. A little bit more investment in physical activity, and in infrastructure for recreational walking and active travel, would be one of the best ways in which we could tackle the Covid-19 crisis, and it would also help us to promote public health and equalities, reduce inequalities and tackle the climate emergency.

Judith Robertson: What Ian Findlay said was helpful. The change that I would look for would be an explicit articulation that we have taken into consideration people's rights in making budget allocations. In our submission, we outline a series of what we call "normative questions"—I know that the language is not great. Those are big questions that enable us to answer, or at least begin to probe, whether we are taking people's rights into consideration. For example, are we looking at the needs of people who are most vulnerable first, and are we then adequately addressing those needs? If we look across the budget and see no expression of whether we have even asked that question, we can say that it does not meet the international standard that we would expect to enable us to say that we are taking people's rights into consideration.

A specific example would be the allocations in relation to the social security budget. Social security is a significant budget—it is the second biggest in the Scottish Government—and it reaches far into the lives of the poorest people in this country. If the allocation to that budget is dropping, we would—although it would be only an indication—look to interrogate that from a budget perspective. We would say, "That is a regressive step," and ask why we were taking a regressive step in those spheres, given that the social security budget concerns some of the most vulnerable people in our communities. I am not saying that that will, or would, happen, but it would be an indicator that policy was being made on a basis that meant that it was not enabling us to meet our human rights obligations.

Looking across the budget, strategically and down each budget line, we need to consider whether the overall allocation is progressing people's rights. It is even more important in a time of constrained budgets to be able to say who is losing and who is winning out of the budget allocation. Are some disadvantaged groups losing even more than groups that we might consider to be better off? Are allocations meeting the minimum that people in our society need to thrive?

The specific example that Ian Findlay was talking about in relation to investment in physical activity is a good one. It would potentially meet several policy goals, including reducing our carbon emissions and increasing the health of the population. However, even with that example of expenditure, we have to ask: who is going to win most? Where would that money be allocated? Will it be allocated in poor communities? Can the Scottish budget even discern that? Will it be allocated to relatively prosperous communities where the need for such expenditure might be more limited?

The change that I would like to see is for the answers to those questions to be explicit, so that we know that we are asking the questions that we have outlined in detail in our submission, and we can follow the money to know how those questions are being answered. That would be a huge shift. I reiterate that, upstream of that, the policy goals that we are seeking to achieve should be explicit. The committee and the Parliament should be able to track the policy goal and the budget allocation to be able to say, "Yes, that makes sense." That needs to be possible not just for the Parliament and the committee, but for people across Scotland to see for themselves. It would be explicit to people what the Government is trying to achieve, then they can decide whether they agree with that, and they can see where the money is being allocated and who is benefiting from that. There is a lot in that: process and goals are both key areas where we would like to see the budget change.

Jennifer Wallace: I agree with the points made by the other witnesses. I am sure that, like me, the committee will be receiving reports every day of evidence on the impact of Covid-19 on people and places. As the evidence accrues, we can see that there are two clear areas of activity. One is the long tail of the mental health issues that will arise. Even before Covid, we already had significant issues with anxiety, loneliness and isolation in our society, and that has been massively exacerbated because of the situation. It is often our young people who are in the worst situation. We perhaps need to think about those situations a little bit more.

The other area, which will be no surprise at all, is the impact on employment. If I may, I will extend that to employment and meaningful activity. The issue is one of wellbeing in relation to not just income—although having a secure income matters massively for individual wellbeing—but the ability to engage with others and to pursue something meaningful, which may be voluntary or community work, rather than paid employment.

We would hope to see initiatives with a particular focus on supporting those groups who, as Judith Robertson says, are most likely to be at the hard end of that—both equality groups and our communities. To go back to the budget process around those issues, it is worth reinforcing Ian Findlay's point that the benefits of investing here will accrue to the health budget, but the costs do not necessarily fall under the health budget.

I see that there is one minute to go until 11 o'clock, so I will make this point and come back to it after we observe the silence. In New Zealand, there have been interesting developments around how we can think about budgeting for outcomes, joint pooling and joint accountability. Those are things that, particularly in this phase, the Scottish Government should be considering.

11:00

The Convener: Thank you, Jennifer. That was helpful timing. We will now observe two minutes' silence as an act of remembrance. All of our screens will continue to operate, so I ask people to stay in situ.

11:02

The Convener: Thank you for observing that act of remembrance.

John Mason will ask the next question.

John Mason (Glasgow Shettleston) (SNP): I will ask each witness one question, although the other witnesses might want to answer, too.

Judith Robertson, I was interested in your thoughts on possible tax increases, which you addressed in box 1 in your presentation. Personally, I am sympathetic to that suggestion, but we hear quite strong arguments that this is not a time to be raising tax and that businesses are struggling and should actually get a tax break rather than a tax increase. Can you share some of your thinking about tax increases?

Judith Robertson: Basically, in terms of budgetary measures, we have to raise income in order to spend it. There is a recognition that taxation is an important part of the budget process, and that raising resources and considering ways in which the Government can do that is as much a part of the budget process as the issues around expenditure. That will not come as news to anyone on this committee.

You are right to say that these are difficult times. However, even in these times, we need to look at the tax take of Government. The commission realises that the tax powers of the Scottish Government are limited, as are the levers that it has. However, even given that context, we must—I say "we must" because international human rights law obliges the Government to do this—look

at the maximum available resources that the Government can generate in order to ensure that people's rights are realised to the maximum that they can be. The process of doing that involves considering taxation, as well as thinking about how we can effectively deal with fraud and tax avoidance processes. Those issues are much less within the gift of the Scottish Government, but the income that can be generated through dealing with those issues is potentially massive.

To go back to your specific question about taxation, we are not tax experts, and I would not make any claim to be a tax expert. Others whom the committee will talk to will know far more about how to generate increased revenue through the tax process. Our interest is in seeing from a human rights perspective that that should be a key Government policy goal in order to better fulfil people's rights at this time. I also—

John Mason: I am sorry to interrupt you. I know that you are not tax experts, but will you say specifically whether you think that there is room for more taxing of people with good incomes or of wealth and property?

Judith Robertson: You would have to look across the spectrum and at all the areas, such as land tax and regenerating council tax. Various propositions on improving the tax take have been put into the evidence that the committee has received. All those things need to be looked at.

From the commission's perspective, I would ask the same questions about who is winning and who is losing in relation to the tax take. Where is the money coming from? Is it coming from people with wealth? Will that generate enough? If we look at where money lies in this country, we see that we are not a high-income population. There needs to be a really good examination across those different spheres to see where the most appropriate place is for tax to be brought.

This morning, I was thinking about the decision to accept a living wage of £9.50 an hour. If all our low earners in this country received the living wage and worked full time, they would have to pay tax. Currently, nearly half of our working-age population is not contributing to the tax take of the economy. That could lead to a significant improvement in not just the incomes of people in their homes but the Government's tax take.

John Mason: I would like to move on to Jennifer Wallace. I do not know whether she wants to mention tax, but I note that Carnegie UK Trust's paper mentions

"long-term planning and building-in resilience"

and

"Addressing inequalities",

for example. It seems to me that one of the ways of building in resilience is by having savings. Individuals are showing signs of saving money rather than spending it. Should Government be trying to save money at this time, despite the fact that people would say that there should be more expenditure? Can you say anything about that area of resilience?

Jennifer Wallace: I will make a comment on the prior question about taxation. Like the other organisations that are represented here, Carnegie UK Trust does not have a position on taxation per se, but the issue of wellbeing requires us to think about intergenerational fairness and the wellbeing of future generations. It is incumbent on us to think about how we can ensure that we pay for services and what we need today without placing too high a burden on the generations to come. Many people in the wellbeing field point to wealth taxation as a way of addressing some of those issues.

On the specific point about resilience, the Government's finances are not like household finances, despite the way in which people sometimes talk about them in the media. However, we talk about building resilience into public finance with upstream spending and learning how to spend to save, and our systems simply do not support us in that. We have no way of matching the cost and benefit economically with the cost and benefit environmentally and socially. There are examples of other jurisdictions that try to do that kind of work, and we think that we should learn from such things.

In a system in which we want to understand what we can do in the long term, we have to find better ways of accounting for all those outcomes so that we can start processing and making better decisions here and now. I will not comment on the borrowing powers or whether anything should be held in reserves; that is up to others who are more expert in that. However, we need to reorientate how we think about public finances. We need to understand that some things that we think of as social or public services can actually be thought of as capital investments and can perhaps be accounted for in a different way, to help us to focus on the future.

John Mason: Thanks very much. I come now to Ian Findlay. You have mentioned preventative spend, which is an area that I find very interesting. The committee has looked at that subject over a number of years. Is it not the case that if we want to put more into primary or preventative spend, we will need to close a hospital or something like that? In order to free up money for things, decisive short-term action is needed to cut other services. Is that not the reality?

Ian Findlay: I will touch quickly on the taxation question and mention another key principle: the

polluter pays principle. That is particularly relevant when we think of transport. If we want to deliver on climate change inequalities and public health outcomes, I believe, as we put in our submission, that we need to shift to using the private car less and choosing to use public transport for longer journeys, and walking, cycling or wheeling for short everyday journeys. We all have to make that choice, but there might be fiscal levers—some of which I know will reside with Westminster, but others might rest with the Scottish Government—that can help to bring about that transition.

On the question on preventative spend, the key challenge is where the money will come from. A simplistic solution is to take money from hospitals and general practitioners and put it into interventions that promote health and wellbeing. However, it is more complex than that. I would be the last person to advocate that we should close a hospital or a health centre. We need to look at the situation carefully, including the unintended consequences, but the general principle should be that where genuine savings can be made within the health budget, and other budgets, a top priority for using that saving should be investing it in preventative spend.

Going back to our original point, in the long term, we should decrease the burden on primary care, which I believe is unsustainable. If we are always in the mode of fixing people once they are ill, that is an endless and unsustainable cycle and it probably becomes more costly as time goes on. We need to find a way to break out of that and keep people as well as possible for as long as possible, and physical activity has a key role to play in that. I do not think that we should cut hospital budgets and put that money into wellbeing and physical activity budgets, but wherever possible, going back to the just transition and those sorts of concepts, we should move funds as they become available, with preventative spend being a top priority for any spare funds.

John Mason: I look forward to seeing what spare funds we have.

The Convener: John Mason raised some interesting points. I am still struggling to see the practical examples of where that change could be made. One witness rightly said that we have a real mental health challenge that will probably require additional expenditure. That is a reactive process, as a result of the Covid pandemic, rather than being preventative. It means that more money will go into being reactive, and it will be a real challenge.

There has been some very good high-level discussion, but if we can try to get as many practical examples as possible into the rest of the discussion, that would help the committee.

11:15

Patrick Harvie (Glasgow) (Green): I would like to take some of those arguments about putting wellbeing and climate at the heart of the budget and explore to what extent the Government is doing that, because all the witnesses have made arguments along those lines. I am looking at what the Carnegie submission says about placing "wellbeing at the centre" of the next budget. Right next to it on the screen is a press release from just before Parliament debated the previous budget in which the Government says that it will put

"wellbeing at the centre of our budget".

Kate Forbes also made that case during the stage 1 and stage 3 debates. Was wellbeing at the centre of last year's budget? I ask Jennifer Wallace first of all. Can you pick out what was different about that budget compared with what it would have been like if that agenda had not been adopted, was it actually delivered, and does the Government have a clear sense of what putting wellbeing at the heart of a budget actually means in practice?

Jennifer Wallace: We have to recognise that the Scottish Government is in transition towards a wellbeing budget and a whole wellbeing approach. Looking back at previous budgets, perhaps for a while the NPF was not really mentioned at all, and for a while, the budget took what I would describe as a top-and-tail approach in which wellbeing appeared as the bookends of the discussion but was not necessarily woven through it. However, headway has definitely been made on that. I talked earlier about primary and secondary outcomes and you can see the attempt to identify more than one outcome—more than health, education or housing—and to start thinking of them in a wellbeing way.

It is slightly hard to answer what my view is on where to go next because the process of what goes into that thinking is not transparent. I have not seen a pre-expenditure assessment so I do not know whether or how the Government assesses against all the outcomes. I do not know whether the assessment is ex ante or ex post, which makes it very hard for me to answer honestly the question about whether it is a fully wellbeing budget,.so I would first want to see that transparency.

It is clear that the complexity of a full wellbeing budget means that it is beyond the ability of any Government to do in one year. The Government would need developed a plan for how it could be done over a period of time—say, five or 10 years—in order to move to an outcomes-based or a wellbeing approach to the budget. That is where we can see the Government iterating, but my preference would be for it to be part of a much longer-term plan; how will we get from one or

maybe two outcomes to understanding it in the round?

One of our suggestions for that is to consider a life-stage approach. Rather than identifying a handful of issues that it knows are of concern for wellbeing and double down on investment in those, which is perhaps the way that the Government went by following New Zealand in last year's budget, it should take a population group that is not being well served. Our national performance indicators for children and young people are not improving and, in many cases, they are getting worse, so our proposition is that we take that section of the population and look at what we would have to do to create a wellbeing budget for children, particularly for our youngest children?

We are lucky to work on this with Children in Scotland and the Cattanach trust, which is another independent foundation. The intellectual weight behind that is being provided by Katherine Trebeck. We hope to be able to provide initial thoughts on how that work is progressing before the end of the year so that people can start to engage with it.

This is a very new process, and these are all innovations. Nowhere in the world has got it right yet. Even though New Zealand is heralded as having a wellbeing budget, people in New Zealand would say that that is only the first step on the journey. To go back to a point that I made earlier, we need to intentionally take the first step on the journey if we are to get there in the next five or 10 years, and that is what I hope to see.

Patrick Harvie: As someone who is sympathetic to and enthusiastic about the idea of moving to wellbeing indicators instead of narrow metrics such as gross domestic product, but who is also sceptical about whether the Government is fully thinking through the issue, I think that that seems like a much more honest representation of things rather than a cabinet secretary standing up in the Parliament and saying that we have a wellbeing budget. It was premature to describe the previous budget in that way.

You suggest that we need a national conversation about wellbeing, but we do not yet know how to make the next budget a wellbeing budget. Do you agree that, rather than presenting the budget in those simplistic terms and saying that it is a wellbeing budget, the Scottish Government should recognise that there is a way to go in moving away from the contradictions that are involved in unsustainable metrics such as everlasting GDP growth?

Jennifer Wallace: It is important to recognise that there is no agreed definition of a wellbeing budget. The Scottish Government is as entitled to call its budget a wellbeing budget as New Zealand is. If you are asking me what I think would be in a full wellbeing budget, I think that the Scottish Government could go further if the budget is to encapsulate the vision and the opportunity in the national performance framework.

Patrick Harvie: My final question is for Ian Findlay and Judith Robertson. Your written submissions rightly place emphasis on climate, but do we not need to recognise that, as well as the desire to spend a bit more on things such as active travel, we currently spend very large amounts of money on pouring concrete in a road building programme? We still spend far more money making the problem worse than we spend on making it better. In producing the budget, does the Scottish Government not need to carry out some fundamental re-evaluations of things that it has already committed to and that are heading in the wrong direction on climate?

Ian Findlay: That links back to the point about being practical. I was going to mention road building. To give a practical example of how to combine the preventative spend and systems change contexts that I talked about, we could reallocate money from road building to measures that will promote health and wellbeing, which would have a huge positive impact on climate, equalities and public health. That is an obvious way in which we can reallocate the budget. One of the four main outcomes in the transport strategy is the promotion of health and wellbeing, so it is entirely consistent with the transport strategy to start reallocating resources from road building into wider public health measures.

My take on the budget in general is that, whether or not it is a wellbeing budget, we are moving in the right direction through things such as the national performance framework and the greater emphasis on wellbeing. I have been in this policy area for 25 years and I am confident that we are making good progress. However, the scale and depth of that progress need to change. I cannot confidently say that it is a wellbeing budget, but it is definitely moving in that direction.

The active travel budget is a practical example of that. Five years ago, it was £40 million, and it is now up to £80 million. In the recent programme for government, there is a commitment for a baseline of £500 million over the next five years. The increased size of the active travel budget and that long-term commitment over five years are really helpful signs and practical examples of where we are moving in the right direction on health and wellbeing and climate change.

I can give another practical example of how we can make wellbeing core to the budget. The budget is absolutely central. There is a saying that the vision of an organisation or a nation is found

not in its strategy but in its budget. The budget is crucial. If we have a vision of a wellbeing budget, the question is how we get to that point. Just as we have equalities impact assessments, why do we not also have wellbeing impact assessments? That would involve testing our budgets, at not just a Scottish level but a local authority level and an organisation level, to see how they are responding to the wider aspirations of a wellbeing economy and a wellbeing society. For example, planning applications or development plans could have a wellbeing impact assessment attached to them. An organisation such as Public Health Scotland—although I cannot speak on its behalf—might be an obvious one to bring about that impact assessment process.

I am an optimist, and my take is that we are on a positive journey. However, we need to accelerate that and there needs to be more depth to the wellbeing dimension of the budget.

Patrick Harvie: Thank you very much. I recognise how much hard work optimism is these days. The breakneck, rapid process that we have for budget scrutiny makes it all the more challenging to have that kind of analysis.

Does Judith Robertson also want to respond?

Judith Robertson: Yes, thank you. Basically, I agree with your premise. If we look across the budget, we can see that there are areas of spend—on infrastructure projects, in particular—in relation to which we might ask, "Are they really meeting the objectives of the national performance framework? Will that spend allow progressive realisation of people's rights? Will it further our objectives in meeting our climate targets?" We must ask those questions because we need to know whether that spend is helping us to meet our outcomes or whether it is taking us further away from them.

I genuinely believe that the allocation for infrastructure is a key area that has the potential to achieve transformative change. The committee has received evidence on the need for support for the development of affordable housing. I would add to that, if it has not already been mentioned in the submission, the need for housing that meets environmental standards, to the point at which the cost of energy use in that housing is as low as it can be.

If we are making a choice in our budget allocation between supporting a high level of carbon use in our expenditure and reducing our carbon use, that really is not a choice. We should be focusing our resources on processes that reduce our carbon footprint. I am far from being the expert on how best to do that, but there are many organisations in Scotland for which that dialogue and debate is live and pertinent. Those are the kind of questions that we need to consider.

That is why our input into the budget process is high level. We see what happens across the budget. I commend the equality statement that is attached to the budget as another way of interrogating what we are doing here and how far we are advancing a wellbeing agenda or a human rights agenda. However, we need to ask whether that statement feels robust. Does it address the key areas where disadvantaged people—people who are not thriving in our community—are best supported? How are we realising the rights of our black and minority ethnic community in this setting? Do we have an analysis of how people's rights are being affected at the moment? Can we see a path out of that? Is that reflected in the budget?

I would say that, at the moment, the biggest barrier to anybody doing that work—whether the commission, the Parliament, the committee or any interest group—is the lack of transparency in the process. We cannot see how the money plays out fully enough to enable us to provide answers to those questions.

We have tried to see that. I note that the Poverty and Inequality Commission tried to do that in relation to social security—I am sure that Jennifer Wallace would say something similar about her project—and considered the narrative of being able to follow the money to the point where it reaches people, and how that impacts on individuals.

11:30

We can make a top-line assessment of that by saying that, if we are spending money on roads, we are not spending it somewhere else, such as on active travel. However, what is the impact if we dig down more deeply into that? Arguably, we could say, "Yes, but roads enhance our economic progress, because they enable people and businesses to travel effectively and they reduce timescales." We could argue that there is a positive economic gain that offsets the negative carbon impact of that.

There is lots of discussion to be had, and it is real discussion. Those conversations need to be had, and the play-offs and trade-offs need to be explicit and out there in the public domain. However, at the moment, I think that that is the process, from the commission's perspective. We are saying that it is about not just the decisions, but the process by which they are made, the transparency and the ability to follow the money through the system.

There is increasing understanding of the importance of the budget in civil society in

Scotland, and we are going to see increased demands around the things that we are discussing, because people really are trying to follow the money. Women's organisations have been doing that for years. Way back in time, I was a founder member of the Scottish Women's Budget Group, and for decades we have asking how women have been impacted by budgets; we should really have gone further than we have.

The Convener: You have made your point quite strongly, and you also made it at a previous meeting as well. Jennifer Wallace wants to say a bit more on the subject. Can we make the discussion a bit tighter, please? We have now been at this for an hour and members still have quite a number of questions.

Jennifer Wallace: I will be very quick. I just wanted to make a factual point to back up what Judith Robertson said. In our children's wellbeing budget project, we have not yet been able to ascertain how much money is spent on the early years of a child's life in Scotland, which makes it very hard for us to interrogate the evidence on where we would then want to spend that money.

As an aside, I add that, when we are talking about economic activity and infrastructure proposals, it is easy to make the jump to talking about jobs. It is harder for us to make that jump in relation to social projects and equate them to benefits through the employment of people who deliver such services. Of course, that is because they are often public sector jobs rather than private sector jobs but, from a wellbeing perspective, they are jobs and they deliver outcomes for people. We do not believe that we should necessarily treat them as separately as they are sometimes considered.

Dean Lockhart (Mid Scotland and Fife) (Con): I would like to go back to wellbeing and what it means in practice. We have had a similar discussion in recent years about the definition of inclusive growth, which is a central part of the Scottish Government's economic strategy. Because it is quite a subjective concept, the definition has changed a few times, and it is still subject to some interpretation.

I have two questions for the witnesses. First, how close are we to having a widely recognised definition of wellbeing that can be embedded in the national performance framework and measured against budget outcomes? Secondly, in the most recent index of social and economic wellbeing, which was published in January this year, before the Covid pandemic, Scotland's ranking fell from 16th to 21st in the list of nations. Do you recognise that decline? If so, what recommendations would you make on the budget to address that relative decline in wellbeing?

Perhaps we could start with Jennifer Wallace's responses to those two questions.

Jennifer Wallace: We have questioned the shifting narratives and language that are used in that field. We talk about "wellbeing", "wellbeing economies", "sustainable development" and "inclusive growth", as you said. People who are trying to get to the same issues often use different words, which can be problematic, particularly when those words are picked up by people in the system, such as the local government officers who must try to work out what the priority is and to what they should be paying attention.

From our perspective, the statutory national outcomes are about wellbeing. Although they do not use the word, "wellbeing", we understand them in that sense. Internationally, the connection between someone's social environment and their economic outcomes and wellbeing is solidly understood, going back to the Stiglitz-Sen-Fitoussi report of 2009. There are well known ways of understanding the issue. The Organisation for Economic Co-operation and Development leads on the issue and is about to announce a new centre in that regard.

For me, "inclusive growth" is slightly different, because it does not come with as strong an environmental or futures lens. It is part of the wellbeing story, but it is not the whole story, and it is interesting that it has been more easily absorbed into the concept of economic regeneration than it has been into the concept of wellbeing, which brings added complexity. There are reasons why some phrases work for one audience but not for another.

My preference is to have a much stronger sense of the national outcomes as something for which we are striving, for the wellbeing of Scotland.

You mentioned a specific index, but I did not catch which one; there are a number of indexes.

Dean Lockhart: It was the Scottish trends index, which was published in January this year—I think that it is part of the index of social and economic wellbeing.

Jennifer Wallace: Okay. I will need to go back and check, because I do not want to mislead the committee; there are a number of international indexes and many of them struggle with regional data. I would not want to get too far into a conversation about an index if there turns out to be an issue with the regional data and comparisons between areas. I can come back with a written response to your question, if that is helpful.

Dean Lockhart: That would be helpful. May I also address my questions to Judith Robertson and Ian Findlay?

Judith Robertson: The only thing that I will add to what Jennifer Wallace said is that we need to make rights explicit in the process. One of the key aspects of a rights framework—which we have not talked about today, particularly—is accountability and the ability to measure progress and change. In the context of the national performance framework, we have been working on proper measures that can be reported against, so that Parliament can see that progress is being made.

Indices can be useful. The other big index that we should develop is an index of the views of people themselves. "Wellbeing" is a subjective term; it is different for different people although, when I was involved in generating the humankind index during a previous iteration of my career, it was clear that the top-level key issues that drive people's wellbeing are housing, health and access to education. It was interesting that the economy was not at the top, although people very much saw that economic security drove the other aspects, such as health and access to decent housing. We could do something much more participatory in Scotland to develop an index of wellbeing that is based on people's views, rather than other broad indicators; we could add that to the panoply of things that we do routinely.

Ian Findlay: On the definition of wellbeing, I agree with Jennifer Wallace about the national performance framework as an overall definition.

In the physical activity sector, we use the World Health Organization definition of whole health. That has three dimensions: physical health, which is the one that we tend to focus on; mental health, which is becoming more and more important; and social health. That World Health Organization definition has been in place since 1949 and has not been bettered. It is a good definition of whole health, because it has the physical, mental and social health dimensions.

I am not familiar with the index that Jennifer Wallace mentioned, so I would want to have a look at it. All indices are made up of a number of metrics that come together to produce the overall index or score. I would be interested to see which metrics are responsible for the decrease in Scotland's overall score. My take is that, in many ways, we are doing well; we are doing well in terms of wellbeing, and there is investment in health and wellbeing, but there are other areas in which we are not doing so well and I suspect that those metrics are in that index. I would like to look at that and come back to the committee on it.

Dean Lockhart: That is helpful; thank you.

Angela Constance (Almond Valley) (SNP): I have one question for each witness. I am conscious of time, but I am sure that we will cut through the issues.

I will start with Judith Robertson, given her focus on the importance of transparency. The fiscal framework is a crucial building block of the budget. How will we get better fiscal transparency and understanding of the framework?

Judith Robertson: That is a good question. Audit Scotland's analysis of that recommended simplicity and bringing out the different dynamics that are at stake for people.

As you might imagine, unpacking the fiscal framework is far from my area of expertise, although the commission has been working on that. For me, the job of Government is to make those things understandable to people, so that they can access the processes. At the moment, I do not have specific answers on the key details for Angela Constance, but I can go back and see whether we have made recommendations in relation to those issues. Although it is a challenge, the task of making the fiscal framework comprehensible and as simple as it can be is key to that transparency objective.

Angela Constance: Thank you. I am not sure that anybody has specific answers.

The Carnegie UK Trust submission proposed a

"decluttering of public sector accountability and performance management."

I would be grateful if Jennifer Wallace could explain why decluttering is a help, not a hindrance, and whether that can be done without sacrificing transparency and accountability.

Jennifer Wallace: My short answer is, yes, that could be done. The two things go together, for the very reason of simplicity that Judith Robertson mentioned. Openness and transparency are aided by simplicity, and the multiple metrics and frameworks that we use across the public sector can make it difficult to get a grasp on what is happening.

With regard to where we start on that, it is worth reflecting that there is no hierarchy of legislation in Scotland. When the national outcomes were put in legislation—the Community Empowerment (Scotland) Act 2015—they did not override or take precedence over any of the other things that the Government asks public services to do. Therefore, we have a range of plans, whether they are for local authorities or health boards, and we have target systems, particularly in the health service, all of which are layered together, with no sense of hierarchy or how one feeds into the other. That is why we are talking about decluttering.

If we are measuring a range of activities and performance management—for example, in education or health—are we doing so because they connect to the national performance framework and the national outcomes, or for a

different reason? Furthermore, do we still need to measure them, given that we are moving to outcomes?

When you are shifting a culture towards outcomes, the main culture that is still in place—the status quo culture of inputs, processes and output measurement—will always take priority over the new culture that is coming in. Therefore, you have to create some space for it. If you look at, for example, how the press reports things, the national outcomes and the indicators under them do not get much space, because there is a competing set of other things that we talk about in relation to how our public services are being provided, the extent to which they are provided and their quality. We think that all that could be tightened up in a way that aids transparency and public understanding.

11:45

Angela Constance: My final question is for Ian Findlay. You have articulated how you want the Scottish Government to set out its plans for economic recovery, with wellbeing and the climate emergency being put at the heart of that. What are the opportunities and constraints of devolution in doing that? Are there trade-offs that we need to be aware of?

Ian Findlay: I am a believer in local democracy, so I think that devolution, as a concept, is good. Devolution can definitely help, because it means that the people of Scotland can have a greater say in how our society develops and in relation to our structures and processes. I would take it even further and say that devolution within Scotland would give greater power to communities and that the bottom-up approach is a healthy way for a society to develop. Overall, I think that devolution is an opportunity.

If we are talking about devolution within the United Kingdom, there are, obviously, constraints as well, because some powers are devolved and some are not. That makes life more complex, but it does not necessarily make it more difficult to achieve the outcomes that we are all looking for. However, there is no doubt that, in the group of devolved countries that we have in the United Kingdom, there is the need for conversations at a UK-wide level to ensure that we are seizing the big opportunities of devolution and minimising the risks and the difficulties of living in a devolved system.

On balance, I would definitely say that there is an opportunity with devolution to understand and reflect the cultures of the different countries. Governments can reflect that and act on the wishes of their citizens.

Angela Constance: On balance, I share your optimism about life. However, in dealing with the climate emergency in particular, do you see any constraints arising from devolution?

Ian Findlay: No. Scotland is a small country and climate change is a global issue, so it could be asked what difference a small country can make in the global sphere. That could be seen by some as a constraint, in that we are constrained in how much we can do. However, I believe that leadership is even more important than what we can deliver in Scotland. Scotland has shown global leadership for generations, and I think that it will continue to show global leadership on climate change. The fact that there is a devolution settlement can enhance that. Scotland can show its core values and help lead the world.

A fantastic opportunity is coming up next year with the 26th conference of the parties—COP26—for Scotland to really shine and hold the globe to account by saying how it has to be on climate change. We can be positive and proactive and use the Scottish psyche, culture and values to push all leaders and citizens around the globe to grasp that huge issue.

The biggest issues that we probably face are climate change and the associated issue of biodiversity loss. I would put the two together. I would also put public health and inequalities in the same bag. If we can fix climate change, we will fix a number of massive challenges. Overall, devolution is an opportunity for Scotland to shine and to show leadership in Europe and across the globe.

Angela Constance: I agree with Mr Findlay's assessment of the magnitude of the task ahead of us and the importance of leadership. Are there any more powers that you would like to see devolved to Scotland to put climate change at the heart of economic recovery?

Ian Findlay: I would like to reflect on that and come back with a fuller answer, but, off the top of my head, a lot could be done on transportation. Many of the fiscal levers, such as vehicle taxation and so on, reside with Westminster. Unless we start to tackle those, it will not be easy for all of us to choose public transport, walking and cycling and choose not to use a private motor car.

More devolved powers over the fiscal levers associated with transportation and big infrastructure projects would be a benefit to Scotland. It is a transition: moving people from private motor cars to other forms of travel will happen. However, it is the pace of change that is under debate rather than whether that will happen. We could accelerate the change and have climate change benefits, public health benefits and equalities benefits if we had more fiscal levers that

we could use sensitively, accepting that the transport industry is a big industry with a lot of jobs. We need to think about that aspect, but we could accelerate the inevitable transition away from the private car, if the Scottish Government had more fiscal levers under its control.

The Convener: Alex Rowley is next.

Alex Rowley (Mid Scotland and Fife) (Lab): Is there not a danger that people listening to us this morning would consider this to be a middle-class, intellectual discussion? They would say, "Meanwhile, back in the real world". I will give a couple of examples to get my point across. I am inundated with cases of families who do not have suitable or large enough housing and are being told by councils to widen the areas where they would accept housing. A few weeks ago, a man in his forties from Anstruther contacted me. He has multiple health issues, so he gets a bus pass, which he wanted to renew. After going to the medical centre to get that signed off, he was sent an invoice for £20 and told that his form would not be sent to the council until he paid it. I told the medical centre that he lives on less than £50 a week and asking £20 to sign off his bus pass would put him into further poverty. The staff accepted that but said that it was a private transaction.

People on the ground cannot see joined-up government, they cannot see joined-up services to support them and they cannot get their basic rights to housing and food met, yet we are having this conversation. Is it not the case that we are missing something? The basics are not getting fixed.

The Convener: Who is that question for, Alex?

Alex Rowley: It is for anybody who wants to pick it up.

Jennifer Wallace: My microphone has just been switched on.

Ian Findlay: My microphone is on, too.

The Convener: Jennifer, you can crack on.

Jennifer Wallace: It is important to understand that the reason that we are unable to address endemic poverty in our society is because some of the structural issues have not been resolved. We can and should talk about ensuring that we put money into the pockets of people who are in poverty in ways that give them dignity and respect. We should absolutely be talking about housing. However, we cannot just keep funnelling money into a system that is constructed in such a way that it cannot make joins between the constituents that you are talking about and in which one service has to charge so that another service can be delivered. Unless we can start thinking about our public services and the role of Government in a holistic and joined-up way that is about improving the lives of the people who we are here to serve, we will never overcome those barriers.

I come back to my research. It tells us that, for people in the system, it is the budget that is the difficulty. Keeping our silo mentalities is the problem and the reason why we cannot move things around in order to deal with the primary root cause, which is often poverty, as well as the other real issues that need to be dealt with.

I appreciate that this is high level, and that the topic gets a bit technocratic and dry, but if we cannot fix matters at the budget level, these things will keep happening to people on the ground.

Ian Findlay: That extremely important point is one of my biggest dilemmas in all this. You are right that it is relatively well-off people, like you and me, I suspect, who are having these conversations. If you think of climate change, public health priorities, and inequalities, people like us will be least impacted in the areas that we are talking about.

If we take climate change, for example, the richer people, like you and me, contribute most to climate change, but we will not be impacted first and most; that will be the poorer people. Humility is an important issue here. I feel that we have to appreciate that we are in a privileged position to be having these conversations in the first place, and the best way in which I can enact that privilege is to find ways—we have talked about those ways on a number of occasions—of making processes as transparent and inclusive as possible, so that everyone is part of the conversation.

As a good example, just last week I took part in a conference that was part of the preparation for COP26. There were 1,200 people at that entirely online conference. One of the conclusions that we came to, and which I mentioned at the end, was that, having had a successful online conference of the people who will make the decisions about climate change, we should make COP26 much more online so that we do not have an impact on other people, especially poorer people. Also, if we were to go online, we could be more inclusive; more people could take part in the conference. That is just a practical example of how we can include everyone in these conversations.

I agree that there is a real risk that we have these nice conversations among ourselves and do not think hard enough about those who are most impacted by the inequalities in our system. Addressing that is a key priority and, with the budget process, it is about finding ways of making it transparent by, for example, using infographics and good, clear, plain English, and doing our very best to make sure that everyone is as informed,

involved and engaged in these conversations as they want to be.

The Convener: Judith Robertson wants to contribute.

Judith Robertson: I am just waiting to be unmuted.

The Convener: You are okay now; we can hear you.

Judith Robertson: That is basically what a rights-based approach does. It looks at the whole process from the perspective of the people who are most affected by the decisions that are being made. That is the purpose of taking a rights-based approach.

I totally agree that you can challenge—indeed, I would—who has the time to engage in such high-level conversations when people's housing is at stake. That is a lived reality for folk. The commission works with other third-sector organisations to enable that participation as best we can. It is a fundamental responsibility of Government to enable the voices, views and perspectives of the people Alex Rowley is describing to be a key part of this discussion, and that is why I am talking about taking a rights-based approach to budgeting.

Whose rights are we talking about? We are talking about the rights of the people who are most impacted in this crisis, today and tomorrow. Although I agree that those views are not explicit, that is fundamental to a rights-based approach, and that is why the commission is advocating that such an approach should form part of this budget discussion.

12:00

Alex Rowley: I will briefly ask another question around the budget. It is about the difficulty of setting strategic priorities and policies and then ensuring that delivery takes place. Ring fencing is a way of describing this, but to what extent should it be possible to direct budgets? You could have all the strategies in the world—when I was leader of Fife Council, we had a cupboard full of strategies, which all sounded good. There are a whole load of strategies in the Scottish Parliament. If we take housing as a priority—or whatever priorities are set—there is a tension between national Government and local Government over controlling where the money is spent. How would you overcome that problem, and do you support more of a ring-fencing approach, which local government detests? How would you tackle that problem?

The Convener: Do you want to go first, Judith?

Judith Robertson: Yes. I am sorry—I am struggling with my technology, and it takes me ages to put an R in the text box, so it is easier and quicker for me just to raise my hand.

Participation extends into local government. I completely agree with your analysis, and there is a real problem with transparency, which I have described, when it comes to saying what happens to the money once it gets into whichever public authority it is where the expenditure happens. That could be in health boards, national health service trusts, local authorities or Scottish Enterprise, for instance, depending on how the money is allocated. It is hard to see what then happens to the money, and who wins and who loses. Those are key questions for the budget process.

On participation, the answer to the question lies in who is involved in the discussion and in the budget-setting process. How much power do they have in that conversation? How much ownership is there over that decision making? How does that pan out at the local and domestic levels? How much active engagement is there in the different stakeholders in that conversation?

That is a very challenging point, and it marks a massive culture change. We are not saying that what we are discussing is simple to deliver. I think that principles of subsidiarity deliver better outcomes, but we need clear, transparent measures of performance to be able to tell whether that is the case. If a decision is made to devolve more effective powers to local government or to give councils more control over budget allocation and tax-raising powers, through council tax, for instance, we need to be able to track whether that expenditure is meeting any outcomes at that level—whether that can be done by that local democratic institution. At the moment, that is not the case, and the culture change is challenging.

The Christie commission dealt with much of that but, 10 years down the line, we are still having the same challenges. A massive shift needs to take place to deliver exactly what you are describing. Local government wants some of the same outcomes—those outcomes are not ones that people do not want. If you look around local government, you will not see all the national performance frameworks reflected. That is probably true to different degrees and in different ways across local government and communities throughout Scotland, but tracking that, being transparent and being held to account against those targets is difficult, and it is not happening.

Ian Findlay: It is accurate to describe a tension between national Government and local government, but I do not see that as negative; I think that it is positive. If it is a respectful tension, that is healthy. On the one hand, we have national

Government with national priorities, and on the other hand, we have local government reflecting local priorities. That goes back to the point about devolution that we discussed. As long as discussions are constructive and positive, tension can be healthy, and an environment of tension can make for better decisions.

There is a place for ring fencing, and it can be useful. It should not be imposed—it should be part of the conversation that I just mentioned. If national Government and local government feel that some form of ring fencing would be appropriate to deliver national priorities and, at the same time, local priorities, it can be—and it has been in the past—a useful tool in budgeting. I would not rule out ring fencing, and I think that a black-and-white approach in which there is either no ring fencing or always ring fencing is not appropriate. Ring fencing has its place if local and national Government feel that it is appropriate.

Jennifer Wallace: Our view is similar to what Judith Robertson described. The Carnegie UK Trust supports subsidiarity, in that we would not want to advocate, without considerable thought, ring fencing that cuts across the democratic will of the people in a local area.

It also depends on what Alex Rowley means by "ring fencing" in his question. If we are talking about ring fencing at a local authority level, I would highlight that there are also ways of allocating specific funds to deal with emerging issues; we would be interested in a separate pool of funding for things that could be identified as spend-to-save projects. Where we know that investment now might reduce an impact later on or remove it completely, it would seem sensible to deal with that using a different financial mechanism. I would not normally refer to that as ring fencing; I am not entirely sure whether that is what Alex Rowley is talking about.

A comment was made earlier about whether mental health funding is reactive or preventative. It is both, of course—it is about reacting to the current situation in which people are experiencing difficulty, but we know that mental health difficulties often turn into further health problems and can lead to difficulties with employment if they are not dealt with. There are a number of well-known knock-on effects in that regard. Our current budget structures are not well designed to help us to deal with such situations in a consistent, collaborative way across Scotland.

Dr Alasdair Allan (Na h-Eileanan an Iar) (SNP): At various points, we have been talking about the implications of Covid and building back better afterwards, and what that means for our budget. I am interested in the points that John Mason raised for debate about what that means in terms of the tension between long-term and short-term thinking for health. It strikes me that, during the current budget process, we could—we probably will, I hope—be talking about a mammoth vaccination programme across the country. How do budgets plan for or cope with that eventuality? How do they become flexible enough to cope?

Jennifer Wallace: During the year of Covid, we have already seen transfers between budget lines and flexibility being employed to deal with the crisis. I would certainly expect that flexibility to continue for a considerable amount of time as required.

I do not see any particular theoretical issues with moving that money. A vaccination programme is preventative, and we do not have a choice but to do it, because of all the other costs to society. The question is whether the cost will be borne purely by savings elsewhere in the health service or by savings across the whole piece. I would want to interrogate that so that we can understand better how it will work. If the money is going to be transferred and pushed into that important spend area, will it come from a space in which we know that the wellbeing impacts, while they exist, are not as strong? As a society, we are not currently geared up to have those conversations, because that spending is buried within budget lines.

Dr Allan: The other area relating to building back after Covid that I am interested to hear views on, perhaps from Mr Findlay and Ms Robertson, is about work and changes to the way in which we work. It is being said that people will want to rethink the whole concept of commuting. That has massive implications for the way in which we do business, manage public transport and act in many other areas. In rural Scotland in particular, it also raises questions about how to achieve that, perhaps with small rural hubs where people could work for part of the week. How flexible can and should budgets be if we are thinking ahead about things that will be different after Covid?

Judith Robertson: My response is the same as it has been throughout, which is to take a rights-based approach to the whole analysis and understanding. We need to look at whose needs we are addressing first—it is the same as with the delivery of the vaccine programme—and who will win and lose in that process. I know that we are talking about budgets, but that applies across both the policy process and budgeting.

On your question about the long-term nature of work and how it is conducted, the Government should be looking at an appropriate policy response in that area. If the Government is looking to intervene or react, it should be done on a rights basis, considering on whose behalf it is going to intervene first and who it will prioritise in that conversation. Who will lose out most in that dynamic? Is it front-line workers who are not being

paid enough and have to undertake risky journeys on public transport? I am talking pre-vaccine and hopefully not post-vaccine. We should be looking at ways in which the Government can intervene constructively to improve people's rights, whether that is the right to health, the right to housing or the right to transport that then accesses an adequate standard of living. All those rights would be at play in those discussions.

As Jennifer Wallace has said, we do not have the processes to look in the round at how we deliver those at the moment and we are not basing that on conversations about rights. It is not difficult to have conversations about rights, although they can get difficult. However, when we engage in such conversations, people start to understand them. That needs to be the driver of some of those decision-making processes across the Government. The budget would follow that and it should have the flexibility to follow and respond to the circumstances, for both proactive and reactive purposes.

Ian Findlay: I will respond to both those questions. It is all about flexibility. A vaccination programme will be expensive and the money will need to be found. That is a top priority. We need a budget that is flexible and we need a mechanism for prioritisation. The budget is a finite size and, if we need more money in one bit and the budget has not grown, and economies of scale have all been considered, the money needs to be found from elsewhere. That is why prioritisation is critical.

The metrics that we use for prioritisation are key. At the moment, we tend to use simple metrics, such as gross domestic product. We need to move to metrics that respond more to climate change, public health and wellbeing, and inequalities. If we apply those metrics to decide on the priorities of the budget, we will end up with a budget that benefits most people.

It is the same with home working. There is no doubt that we have learned an awful lot from seven months of home working. For those who can home work, I doubt that we will go back to where it was before. We also need to bear in mind the many people who cannot home work or who have not had that privilege—that goes back to a point that I made earlier. We need to ensure that we maximise the positives or the top priorities in the budget and minimise any negatives.

People might just not have space in their house in rural areas, so community work hubs might be a good way forward. I live in the village of Comrie, in which there are 2,500 people, most of whom commute or commuted pre-Covid-19. Would it not be great to have a community hub somewhere in villages such as Comrie? It would mean that we could do more of that blended working—more work from home and in the village, and less commuting.

I go back to what we have consistently said: we need to ensure that we take everyone with us in the budget assessments and do not inadvertently exacerbate inequalities, add fuel to climate change or create conditions that counter our gains in public health and wellbeing.

12:15

Dr Allan: We have talked a bit about the prioritisation of help to the poorest. To pick up on the point that Ian Findlay made earlier about the benefits of having more fiscal powers in certain areas, is it fair to say that those powers could be used to do just that?

Ian Findlay: Yes, they could. If starting from the premise of the national performance framework and what long-term outcomes we are trying to deliver, we establish that there are barriers relating to fiscal measures, that is what we need to focus on. If we can use fiscal levers to enhance the health and wellbeing of the nation, we definitely want to incorporate those in the Scottish budget.

The Convener: Nobody else has indicated that they want to ask further questions. I therefore thank Jennifer Wallace, Judith Robertson and Ian Findlay for their evidence today. We are grateful to you for giving us so much of your time. The Cabinet Secretary for Finance will be in front of the committee next week and we will have an opportunity to discuss the issues that were raised today and in previous sessions.

12:17

Meeting continued in private until 12:36.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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