

HEALTH AND SPORT COMMITTEE

Wednesday 3 October 2007

Session 3

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CONTENTS

Wednesday 3 October 2007

	Col.
SUBORDINATE LEGISLATION.....	107
National Health Service (Pharmaceutical Services) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/390)	107
National Health Service (Travelling Expenses and Remission of Charges) (Scotland) Amendment (No 3) Regulations 2007 (SSI 2007/391)	107
National Health Service (Primary Medical Services Section 17C Agreements) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/393)	107
Miscellaneous Food Additives and the Sweeteners in Food Amendment (Scotland) Regulations 2007 (SSI 2007/412)	107
National Health Service (General Dental Services) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/422)	107
Food for Particular Nutritional Uses (Scotland) (Miscellaneous Amendments) Regulations 2007 (SSI 2007/424)	107
Plastic Materials and Articles in Contact with Food (Lid Gaskets) (Scotland) Regulations 2007 (SSI 2007/433)	107
BUDGET PROCESS 2008-09.....	109

HEALTH AND SPORT COMMITTEE

6th Meeting 2007, Session 3

CONVENER

*Christine Grahame (South of Scotland) (SNP)

DEPUTY CONVENER

*Ross Finnie (West of Scotland) (LD)

COMMITTEE MEMBERS

*Helen Eadie (Dunfermline East) (Lab)

*Rhoda Grant (Highlands and Islands) (Lab)

*Michael Matheson (Falkirk West) (SNP)

*Ian McKee (Lothians) (SNP)

*Mary Scanlon (Highlands and Islands) (Con)

*Dr Richard Simpson (Mid Scotland and Fife) (Lab)

COMMITTEE SUBSTITUTES

Joe FitzPatrick (Dundee West) (SNP)

Jamie McGrigor (Highlands and Islands) (Con)

Irene Oldfather (Cunninghame South) (Lab)

Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Bill Howat (Budget Review Group)

Bill Hughes (Budget Review Group)

CLERKS TO THE COMMITTEE

Karen O'Hanlon

Simon Watkins

SENIOR ASSISTANT CLERK

Douglas Thornton

ASSISTANT CLERK

David Simpson

LOCATION

Committee Room 2

Scottish Parliament

Health and Sport Committee

Wednesday 3 October 2007

[THE CONVENER *opened the meeting at 10:00*]

The Convener (Christine Grahame): Good morning and welcome to the sixth meeting in session 3 of the Health and Sport Committee. I ask everyone to turn off their mobile phones. I have already done so, so you cannot catch me out.

Subordinate Legislation

National Health Service (Pharmaceutical Services) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/390)

National Health Service (Travelling Expenses and Remission of Charges) (Scotland) Amendment (No 3) Regulations 2007 (SSI 2007/391)

National Health Service (Primary Medical Services Section 17C Agreements) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/393)

Miscellaneous Food Additives and the Sweeteners in Food Amendment (Scotland) Regulations 2007 (SSI 2007/412)

National Health Service (General Dental Services) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/422)

Food for Particular Nutritional Uses (Scotland) (Miscellaneous Amendments) Regulations 2007 (SSI 2007/424)

Plastic Materials and Articles in Contact with Food (Lid Gaskets) (Scotland) Regulations 2007 (SSI 2007/433)

The Convener: The first item on the agenda is consideration of seven Scottish statutory instruments. The Subordinate Legislation Committee raised minor technical points on SSI 2007/390, SSI 2007/393 and SSI 2007/412. On SSI 2007/393, it has drawn the committee's attention to the Scottish Government's proposal to consolidate when it next makes substantive amendments to the principal regulations for policy

reasons. On SSI 2007/412, the committee's attention is drawn to the Food Standards Agency Scotland's view that consolidation is inappropriate, as it is likely that the implementation of European Community measures will require revocation of the principal regulations and a recasting of this area of law.

As members have no comments to make, and no motions to annul have been lodged, is the committee content not to make any recommendations on the instruments?

Members indicated agreement.

Budget Process 2008-09

10:02

The Convener: The second agenda item concerns the budget process 2008-09. I welcome Bill Howat once again and Bill Hughes for the first time. I refer members to the paper on this item.

I ask Mr Howat to make a few comments on the budget review group's findings on, and any potential areas of headroom in, the sports budget, after which we will move to questions.

Bill Howat (Budget Review Group): Good morning, and thank you for this second opportunity to appear before the committee.

As I introduced myself last week, I will not repeat those remarks. However, last week I also declared my chairmanship of Volunteer Development Scotland. The committee should be aware that that organisation is actively engaged with the committees organising both the London Olympics and the Glasgow Commonwealth games bid to ensure that volunteering strategies are developed and volunteering opportunities maximised. That interest should not affect anything that I might say this morning, but the committee should be aware of it.

Given the committee's interest in the health volunteering strategy that I mentioned last week—and, I am sure, in volunteering in general—I should say as a matter of courtesy that members are welcome to attend a parliamentary briefing that Volunteer Development Scotland will give on 7 November and to meet me and other members.

The Convener: Well done on getting that trailer in.

Bill Howat: I apologise for the commercial.

Last week, in my opening remarks, I alerted the committee to the remit and context of and various generic issues in our report. The committee was very understanding then so, to save time, I will not repeat those comments. Instead, I will pass to my colleague Bill Hughes, who was the deputy lead reviewer. He was one of three Bills on the group, which was occasionally a source of some confusion. Bill will explain the position with regard to the sports element of our report.

Bill Hughes (Budget Review Group): By way of introduction, I should say that I retired just over two years ago as director of finance and information technology with Renfrewshire Council. I have no other interests to declare.

The committee is considering a narrow part of the budget review. The sports element was part of a much larger programme—tourism, leisure, culture and sport—and we focused on

sportscotland's budget under that portfolio. We found some aspects of sportscotland's budget that are quite typical of non-departmental public bodies. We expected the Executive to be able to demonstrate certain degrees of accountability between it and the NDPB in terms of value for money. We had real difficulty making the link between the available budget and the Executive's expectations of NDPBs' outcomes. That was as prevalent in sportscotland as it was among other bodies.

In the context of the run-up to the announcement of the 2014 Commonwealth games venue, the committee will be interested to know about the consequences of Scotland's unsuccessful bid to be a joint host of the 2008 European football championships. Some resources had been assembled for that bid, and there was an initiative to release those resources to national sports facilities. We were surprised at the methods that were employed to spend that money. Facilities were being constructed that would be enjoyed by taxpayers over a period of time, but they were to be paid for by current taxpayers.

That general issue has been picked up by other committees. We recommend that, in such situations, consideration should be given to paying for such facilities over a period of time, rather than in one lump sum. There might well be another opportunity to consider that issue in the unfortunate event that the Commonwealth games bid is unsuccessful.

That is all that I will say by way of introduction. I am happy to answer any questions.

The Convener: That was helpful, and I invite questions.

Mary Scanlon (Highlands and Islands) (Con): We have all had the same difficulties in looking at the budget and trying to measure outcomes and so on—and that applies not just to sport. You state:

"Sportscotland is also expected to deliver £200k of efficiency savings. We believe this to be tokenistic and non-challenging."

Do you think, given the health part of our remit, that it is reasonable

"to secure savings of around £1.7m annually"?

Where would you suggest those savings be made without being detrimental to sport and health?

Bill Hughes: That is a fair question. We tried to get into the question of how the Executive determined the appropriate budget for NDPBs on an annual basis. We found a simplistic approach. It was generally a matter of asking, "What did they get this year?" and then suggesting, "Let's add a bit on for next year." It did not go beyond that. That

worked, in a way. However, we expected there to be much more of a relationship with what sportscotland, in this case, could achieve with its resources, rather than simply saying that, if the organisation got £X million last year, it should get that amount plus Y per cent the next year. Because that system had been running for a number of years, we fully expected it to lead to expenditure that, in a different financial climate, would not have been taken on board. That created an opportunity for what we would call efficiency savings.

I am sure that the committee will have considered this already, but I would point out that each NDPB carries with it its own bureaucracy—I call it that loosely. There are Executive initiatives on shared services, and people are beginning to grasp the opportunity in that regard, while recognising that organisations such as sportscotland need to remain independent. That is independent in terms of policy and the way in which they allocate funds; it does not mean that they need their own independent administrative functions. We felt that there were opportunities to drive through efficiencies in those areas. We were not presented with information that suggested that a hard look was being taken at areas in which such efficiencies could be teased out.

Mary Scanlon: The report also talks about the limited availability of

“SMART goals and deliverables”

and you said in your opening statement that it was difficult to identify outcomes. I appreciate the fact that the merging of organisations can reduce bureaucracy; however, with hand on heart, how can we say that cutting the budget by £1.7 million will reduce only bureaucracy, not access to and participation in sport? How can we say that that will reduce bureaucracy but not outcomes, if you do not know what the outcomes are? Do you understand what I am saying? How can you distinguish the bureaucracy from the grass-roots activity if you have no outcomes by which to measure the grass-roots activity?

Bill Hughes: I remind everyone that £1.7 million represents only 7 per cent of the budget, so there is still 93 per cent of the budget left. That is a significant element, and the budget has increased significantly over a short period. The group felt that that created the opportunity to make some reductions in spending that would not impact on the service areas about which you are rightly concerned. We felt that we had an opportunity to do that.

Rhoda Grant (Highlands and Islands) (Lab): Let us return to the efficiency savings targets. I am confused about where you get the figure of £1.7 million from. Annex A of the committee paper,

which is taken from your report, gives a breakdown of the budget. It shows core funding of £13.205 million and gives the budgets for the active schools programme, capital grants and club golf, which are all ring fenced. Is it correct that you are looking to find efficiency savings from the £13.205 million by reducing bureaucracy?

Bill Hughes: I would not be as narrow as that. In my mind, the fact that a policy initiative is ring fenced does not mean that the budget should be ring fenced. If there is a different way of providing the outcomes that are expected that requires less expenditure, that is an efficiency. The active schools programme is a good case. A lot of effort went into ensuring the distribution of a relatively small amount of money to individual authorities. Was there not a better way of achieving that outcome at less cost?

Rhoda Grant: So, you are saying that the active schools programme should not be pursued, although it has good outcomes.

Bill Hughes: I am saying that there are perhaps different ways of pursuing the active schools programme.

Rhoda Grant: Not through sportscotland.

Bill Hughes: We had difficulty in understanding what value sportscotland added to the process. It came over simply as a cheque-signing mechanism. It played a role in distributing the funding without trying to identify what it expected each education authority to deliver in a measurable way for the funding that was provided. From my local authority background, I am aware that schools have a duty to provide sport. That was already a fundamental part of the curriculum, and the active schools programme was coming in at the margin.

Rhoda Grant: So, you think that, although sportscotland is evaluating the programme, that adds nothing. You think that it should be a matter of local authorities delivering and that nobody should ask them what they are delivering for—it should be covered by their core funding.

10:15

Bill Hughes: No, that is one of the difficulties; when you ring fence funds you get a bit of accountability. We have to find ways of enabling central organisations such as the Executive to require local authorities—in this example—to be accountable for sports activities without there being the need to provide additional funding for that all the time.

Rhoda Grant: I will let you argue about that with the local authorities.

In paragraph 6.4.41 of the report you seem to suggest that sportscotland was giving you the

impression that it felt that funding was guaranteed and that it was not looking at its own set-up, because it felt pretty secure. How did you get that impression? Did you speak to representatives of sportscotland? That paragraph says an awful lot about attitude.

Bill Hughes: We had a discussion with Executive officials. In the context of the Olympic and Commonwealth games being on the horizon, we asked what was being done to provide the funds for them and what the impact of that was on core funding. We got a lot of information about funds for the future events, but we got the impression that the core funding was not receiving the attention that we would have expected. When other initiatives, such as the efficiency initiatives, were taking place, there was not the stringency that we would have expected.

Rhoda Grant: So, it was not sportscotland that gave you the impression that it was perfectly safe and could sit on its laurels and wait for the money to flood in. Did the Executive tell you that it thought that sportscotland had that attitude or was it the Executive that had that attitude to sportscotland?

Bill Hughes: Our discussions were with the Executive officials. From those discussions, we formed that view.

Rhoda Grant: Did you form the view that the Executive thought that sportscotland thought that it was guaranteed or that the Executive was guaranteeing sportscotland? I am just trying to find out who—

The Convener: I think that we have the answer, which is that the impression was gained not from the mouth of sportscotland but from Executive officials.

Rhoda Grant: I was keen to find out whether the Executive thought that the officials of sportscotland were behaving as if they had a guarantee or whether the Executive officials thought that sportscotland should have a guarantee, given that the Olympic and Commonwealth games were coming up.

Bill Hughes: Our point was more aimed at the approach by Executive officials than—

Rhoda Grant: Their impressions?

Bill Hughes: Yes.

Rhoda Grant: Okay.

The Convener: We have clarified that. Thank you.

Bill Howat: My role is to refer you to the generic chapters. The example in question is just one of a number of areas of our work that was focused on the budget holders in the Executive, among whom we found attitudes that suggested that there had

been a certain amount of—not quite largesse—but living in a fairly easy fiscal environment. We did not think that those involved were approaching public spending with the appropriate degree of rigour and scrutiny. I am not saying that we found that throughout the Executive, but we did find examples, to which the generic chapter refers specifically.

Dr Richard Simpson (Mid Scotland and Fife)

(Lab): I have two questions. One is about the type 2 headroom of £25 million, which you are proposing should be transferred from direct capital expenditure to borrowing. That is not a saving, but a transfer. There is no change, because you pay a 6 per cent capital charge on any capital expenditure that you make directly, whoever you are—certainly in the health service. If you borrow at 6 per cent, what is the difference? I would like you to explain why you think that that is a saving.

The other thing that I want to ask about is the figure of 7 per cent, which you talk about but do not define. You talk about backroom functions, but I would like you to tell us what the backroom function savings will be. The figure of 7 per cent seems to be plucked out of the air. I simply do not follow this at all. It seems to be very high level—frankly, superficial. I am sorry to be so critical but, unless I am missing something, a saving of 7 per cent on backroom functions is just not going to happen.

With due respect to Mary Scanlon, we went through a 19-year phase when we talked about cuts all the time when, in fact, the Conservative Government was really trying to achieve efficiency savings in redesign. In the context that we are talking about today, how much of the money that you are saving relates to redesign and how much relates to genuine savings? Those two aspects ought to be distinguished.

Bill Howat: I will deal with the general points and let Bill Hughes talk more specifically about sport.

The title of the report is “Choices for a Purpose”. Everything that we identified was headroom and the idea was to allow the Government of the day to allocate its resources for more efficient and better public spending. The short answer to the third part of your question is that, in effect, it is all about redesign. It is about allowing the ministers of the day to make choices with regard to their priorities.

On your comment about superficiality, I do not take that as a criticism; to a certain degree, it is a valid point. Indeed, in the evidence that we gave to the Justice Committee, we specifically recognised that our work was, inherently, fairly high level, and noted that we were set up as a team of independent reviewers with a great deal of

experience who were asked to exercise judgment on fairly high-level information.

I can tell you that there was a lot of interesting debate in our group about the appropriate level of efficiency savings that we might have across a range of issues. The individuals from the private sector—there were four of them—were much more robust about that than the public sector people were. I like to think that that is because those of us with public sector experience knew the difficulty of achieving savings, as you have outlined. Nonetheless, in many instances, we have given what we think are reasonable estimates, based on our experience and provided that people have a willingness to make efficiency savings.

On your first point, we did not go into the details of any NDPB's budget. We were looking at the budget line that was held by the Scottish Executive. That said, there is no reason why, as Bill Hughes argued earlier, NDPBs should not be subject to the same scrutiny and initiatives that other public sector bodies are when we are looking for efficiency savings across shared services. Those services—if you want to hear about the backroom services—would include things like legal, corporate, payroll and human resources services. There are councils in Scotland that are currently setting up contact centres and shared resource centres and I know of other areas where people are doing that kind of work. It was towards that kind of area that Bill Hughes and the other reviewers across the portfolios were directing attention. Why should that not happen in the crowded landscape of the NDPBs?

Bill Hughes: On Dr Simpson's first point, I accept his understanding of how capital is financed. As Bill Howat has said, our remit was to identify opportunities for headroom and we simply contrasted the £25 million that had been spent by way of capital grant with what would be spent if the funding came through what we call prudential borrowing. Short-term headroom would be created but a longer-term liability would be created, as far as the Executive is concerned. There is an interesting parallel with my area of experience, which is local government. You would never find a local authority spending its cash resources on building any infrastructure. It would attempt to secure that over the life of the asset, which is a principle that I commend, as it means that the taxpayers that enjoy the asset also get the privilege of paying for it.

On our suggestion of 7 per cent efficiency savings, we took references from the Treasury's approach to the efficiency programme. The Department for Culture, Media and Sport was delivering a 7 per cent efficiency target, which we felt was a reasonable target to aspire to for the sports budget. Given the significant increase in the

budget for the service, which I mentioned earlier, we felt that there was an opportunity to make such savings. We did not define the savings in the sense that Dr Simpson asked for—we were not asked to go into that detail. However, we felt that, given the way in which sportscotland distributes its funds, and the bureaucracy, there are opportunities to release up to 7 per cent of the budget.

Ross Finnie (West of Scotland) (LD): Like Richard Simpson, I am slightly nervous about that. You have made some fairly trenchant criticisms, which we must accept at face value, of the way in which the budget process is conducted at Scottish Executive level. However, I am slightly concerned that, on the one hand, the thrust of your criticism is that the process lacks rigour whereas, on the other hand—and with all due respect—some of your criticisms seem a little superficial. Perhaps in the body of work to which Bill Howat referred you have an analysis that shows definitely what the money is actually spent on. However, with all due respect, you have not answered the question that Mary Scanlon asked. With Government expenditure of such a size, there are bound to be areas where savings can be made—such savings will be good for efficiency and will have no effect on the outcome of the budget spend. However, to say simply that a 7 per cent saving could be achieved without also making it clear whether that would have an impact on the outcome lacks the rigour that you complained was lacking in the Executive. I ask you to tease out that matter further.

On timing differences, I am not at all clear about the principle that you enunciate that it is better for Government capital expenditure to be paid for by the beneficiary or the taxpayer and that it should be spread over the life of that person. You say that that is the most efficient and effective way of delivering capital spend. I am at a loss to see the connection between the life expectancy of the taxpayer as a beneficiary of a service and planning a capital programme to meet need. In Government or any organisation, there will be times when it is prudent, correct and financially viable to borrow in order to spread the expenditure. However, there will also be times, because of timing differences, when it suits the budget to deploy a resource simply to secure a capital asset for the long-term benefit of the people. I do not understand the principle that you have enunciated.

You assume that projects can be absorbed by local authorities through prudential borrowing. Therefore, in your analysis, I presume that you have found that all Scotland's local authorities are under capacity in their prudential borrowing and so could cope with the transfer that you seek. We cannot just take projects away from sportscotland and give them to local authorities if, having looked

at the budget expectations of local authorities, we find that they do not have sufficient available prudential borrowing capacity. It may not be in their best interests to increase prudential borrowing by that amount. There is no reference to that matter in the report.

The report sets out the figures on the proportion of adults who participate in sports and states that the trend of reduced participation is a serious deficiency and failure to perform. To what extent did you analyse the age profile of active people to determine whether, in what is a declining and increasingly ageing population, the expectation of increasing active sport participation was viable?

10:30

Bill Howat: I thank Mr Finnie for a nice collection of interesting questions. The answer to his first question lies in how he phrased the question and how Mary Scanlon phrased a similar question—it is that we do not know the outcomes. We make that general point in the generic chapters. When we started on the exercise, we were asked to examine the previous Administration's spending priorities. We had immense difficulty in establishing them and in establishing in many portfolios, including the tourism, culture and sport portfolio, what the exact outcomes were.

Therefore, the answer to your first question is that we gave the best answers that we could on the basis of the information that we had at that point in time. That might sound like a weaselly expression, but we did not have a single set of outcomes that we could set against inputs to make the detailed analysis for which you ask. We had the information that was provided through the forms that members have seen and we had the background information. We exercised our judgment on what was possible.

I understand that the committee is taking evidence on the report in preparation for scrutinising the budget. To that end, what has been raised is a key issue for the committee to address. Do we know exactly what sportscotland is about? Do we know how much sport activity goes on? Do we know what outputs we are looking for? If we do not have that map, we cannot make the judgment that you ask us to make on whether looking for efficiency savings would affect outcomes. I am sorry if that sounds as if we are not answering the question directly, but I suggest that you answered it yourself in how you phrased it.

Ross Finnie: Might repeating that caveat have helped the reader of the report?

Bill Howat: That is explained in the generic chapters. We were asked to classify public

expenditure and we said clearly at the report's outset that we could not do that. We made a series of recommendations on how the Scottish Executive conducts financial management. I think that that will be the main issue that the Finance Committee discusses when we appear before it on 23 October. I encourage you to be there, sir.

Bill Hughes: I will pick up on Ross Finnie's last three points. On the timing difference, I apologise if I became confused in my answer. I intended to say and thought that I did say that the life of the asset is the measure. Funding should be provided over the life of the asset. The life of an asset and of a taxpayer will always be different. If I have picked up your point correctly, my answer is that the main guide should be the benefit that the asset is expected to provide to the community. The cost should be spread over that time.

On prudential borrowing, Scottish Executive officials advised us that headroom was available throughout local government to absorb the level of capital spend that has been mentioned.

As for the final point, on the analysis of sport participation rates, that was the one subject on which I felt that I was getting close to a measurable target and to seeing the influence that budget spend had on that. We were concerned that the information was out of date and we flagged that up in the report. The information was quite limited, so the degree of analysis that you asked us to tease out was not available to us. We did not want to get into the nuances of the statistics anyway. The stark fact was that participation was not increasing, whereas the Executive target was that it should increase. We found it strange that such a significant increase in expenditure had been made but the only available statistic was that participation rates were reducing. We asked whether the programme was successful, as it certainly was not achieving its outcomes.

Michael Matheson (Falkirk West) (SNP): Bill Howat largely addressed one of my central points in his previous answer. However, I want to pick up a couple of smaller points. As a non-departmental public body, is sportscotland any better or worse off for outcome measures than any other NDPB?

Bill Howat: I will ask Bill Hughes to talk about sportscotland specifically, but I will address the general point. We had a collective discussion with the chief executives of NDPBs in which we got mixed messages. I cannot give you a simple answer that says that one NDPB is this, that or the other. In the report we say that we picked up from the chief executives the message that they sometimes have strange relationships, depending on personalities, policies or a combination of circumstances. We heard complaints from some that measures that had been agreed in a

corporate plan were suddenly being questioned further down the line. That led us to make a general criticism of micromanagement.

I am trying to give you a general flavour of what we found when we looked across what we called in our report a "crowded landscape". We got mixed messages and found that the experience of NDPBs was likely to vary at any given point in time.

I think that sportscotland's experience over the next four or five years will vary significantly depending on whether Glasgow hosts the Commonwealth games, for example. Some of the issues that Bill Hughes and the team have picked up and which have been highlighted in the report reflect the fact that, with the Commonwealth games on the horizon, the people within the Executive who are charged with administering the budget perhaps thought that a period of largesse was coming, given that such a high-profile event would have to be funded.

I am not giving you a specific answer, but I am trying to give you a flavour of the mixed messages that we got. I will read out a bit of our report that is pertinent to several of the discussions that we have had today, and on which the committee will want to reflect when it is speaking to officials and ministers. In chapter 3, in which we set out our remit and approach, we say:

"Our report reflects back the views and messages we heard as we sought to distil them into our findings."

Dr Simpson said that some of our comments seem superficial. Some of them were fed back from officials, ministers, chief executives and others whom we interviewed and with whom we discussed all our work. The report is not entirely our own; we were trying to reflect back the things that we found. To a degree, what Bill Hughes and the team found in dealing with sportscotland reflects the experience of the budget holders at a certain time, given the circumstances in which they found themselves. Please tell me if you think that I have waffled or have not addressed the question, but I do not think that I can give a direct or simple answer to it.

Bill Hughes: I repeat the point that I made earlier: I thought that sportscotland had a reasonable understanding of what outcomes it expected from the funding. Participation rates were key. The problem was the currency of the information, which was not coming through with the speed that I would have expected. There was an interesting comparison with VisitScotland, one of the other NDPBs in the portfolio of the minister. Visitor numbers were one of its key outcome measures. I was very impressed by the way in which VisitScotland could demonstrate the impact of its spending on visitor numbers.

One of our main criticisms is not that there was not a measurable outcome but that the information came in far too late. For a programme such as active schools, for example, information is needed quickly about whether it is successful. Also, to take the other part of the committee's remit, the consequences on the health of individuals need to be considered. We saw no evidence that people were thinking in that way. Although there were some reasonable measurable outcomes, we think that there could have been more developed and longer-term outcome measures to allow people to understand the impact of programmes.

Michael Matheson: Your point about active schools is a good one because the baseline for outcomes was not established until several years after the policy was initiated. I pursued the issue for some time with sportscotland to try to identify where it was going with the policy. You seem to be saying that some of the outcome measures were delivered late. Did you have time to consider whether sportscotland had enough understanding of what was going on between the inputs and outputs to know what to do with its policy in order to make sure that it reached the outcome that it was looking for?

Bill Hughes: I hesitate to say anything too specific for fear that it might rebound on me. My worry is that there is a disconnection between the outcome measures and the spending. Although statistics are gathered, people do not try to link them to the impact that the spending has in a particular area. That is difficult because of the timing of the statistics.

The Convener: Helen Eadie is next, followed by Ian McKee and then, if I may, I might ask a question. Then it will be Rhoda Grant and Mary Scanlon.

Helen Eadie (Dunfermline East) (Lab): I noted that you did not have time to look at the operation of the Scottish Institute of Sport. Although you did not have time to investigate it fully, can you share with us any thoughts, comments or knowledge about the institute? You say in your submission that you think the

"benefits of this approach as an effective delivery model should be tested."

What led you to that opinion?

Bill Hughes: The Executive's indirect spend on the Scottish Institute of Sport was about £5 million. We just did not have the time to look at the institute in any detail. We did not get back from the Executive any evidence to suggest that the institute had been the subject of a rigorous review, which is why we recommended that it should be. We asked why the organisation was separate from sportscotland, what value it added and whether the resources spent on it were providing value for money.

Ian McKee (Lothians) (SNP): For my own interest, I would like clarification on what you have been saying. Are you saying that because there has been a fairly easy and non-rigorous financial climate, no one has needed to worry too much about outcomes, or do you mean that because there have been no firm outcomes, no one has worried much about the money because it is difficult to know how to make a link? In such a situation, who should be responsible for defining outcomes? Should the Scottish Government say to a body, "We want to improve the health of Scotland and have a greater number of elite athletes," and then leave it to the body to work out the specific outcomes and report back? Alternatively, should the Scottish Government say, "These are the very specific outcomes that we want to see"?

Do you differentiate between outcomes and process? After all, if loads of people are doing this, that and the other, do you measure a health benefit—I assume that it would be extremely difficult—or do you just assume that if everyone is running 10km a day, it will be good for their health?

Dr Simpson: No, thank you.

Ian McKee: Perhaps I exaggerate.

The Convener: I am looking around at the committee and wondering about that one.

Ian McKee: So often when we talk about outcomes, they are actually processes that we assume will be beneficial, but perhaps we do not know.

Bill Howat: I will speak on a general level again. You touch on an area that it is essential that the committee addresses in the coming budget round. We highlighted the difficulty that we had in finding what outcomes were looked for across all the portfolios. That is not to say that people were not aware or not trying to identify them, but partly because of the nature of the previous partnership agreement, there were far too many priorities—a mixed bag. We spelled it all out in the report. You have highlighted one of the difficulties that anyone would have. What is the outcome that we are looking for with regard to sport? Are we trying to get people active and participating on the assumption that, by doing so, they will somehow be healthier and stay out of the health system longer, or do we base the outcomes on factors such as obesity, lifestyle and how long people live? We need to think about that area more and more.

10:45

In that respect, I refer the committee to my closing remarks last week, in which I encouraged

members to put in place performance management arrangements that will allow you—and indeed ministers, who, after all, are also considering our report—to find high-level outcomes that can be spelled out and then driven down through the system via the various processes to which you have referred.

However, in the generic chapters of our report, we were quite specific about the difficulties that we found in classifying expenditure and understanding the true aims, objectives and outcomes. I do not criticise anyone in that respect—we sensed that people understood what had to be done and were striving in that direction—but we should be helping to drive that process forward in this new Parliament in a much clearer and more consensual way. I doubt that party politics will come into aims such as wanting people to be healthier, to live longer and to have better and more active lives. However, we have to find a means of allowing the system to convert such aims into, if you like, the management-speak that will allow people like me as a former chief executive or Bill Hughes as a former director of finance to drive the processes that will achieve them.

Our report will not provide definitive answers. We can give you our views, which is what we have been doing. I simply encourage you to take what I have suggested as your main theme when you examine budget proposals and to consider the links between sport and other portfolios such as education, justice and health. Perhaps the outcome that you are looking for can be shared across portfolios and committees instead of being stuck in a—dare I use the word—silo labelled "sport" or "sportscotland".

Bill Hughes: As far as what has been called the non-rigorous approach is concerned, we found that officials were very hard working and directed their energies in a number of ways. However, as the generic chapters point out, we felt that the appropriate training and understanding were missing. Quite often, we found that the staff who were responsible for major budgets had not been trained properly in managing them, which led to a degree of non-rigour when they were reviewed.

The Convener: I do not know whether you will be able to answer this, but I wonder whether you can remind us of the chronology of some of your evidence taking. For example, when did you take the evidence that led to the contentious statement:

"There seemed to be an assumption that the budget was above scrutiny"?

Bill Howat: The group worked from December 2005 to about April 2006, although we did not complete the report for another 10 or 12 weeks because we had to write it up and carry out some

final checking and cross-referencing. The main evidence taking was done in early 2006.

The Convener: Others have referred to paragraph 6.4.46, which states:

“The SE’s key objective is to increase participation by 3% by 2008”.

However, the last figures that we have are for 2000-02. I am sure that you asked why those were the latest figures available, but whom did you ask and what response did you receive?

Bill Hughes: We asked the people who were responsible for that particular budget and who had completed the pro forma for the exercise. We had been advised that, because of all the technical issues, there were serious difficulties in gathering the data, but we felt that those problems should have been solved rather than used as excuses.

I could see that it would be quite difficult to gather numbers for participation rates across the country. Earlier, I made a comparison with visitor numbers. Because of the commercial side of that, I can understand why those numbers would be easier to gather. Research into participation rates in community clubs, sports clubs and so on would have to be done using some kind of regular selective sampling. That seemed to be giving the officers some difficulties.

The Convener: Who were the people who said that they had difficulties? Were they officials, ministers or someone else?

Bill Howat: Bill Hughes can answer your question at a specific level, but I can say that, in every instance, our main focus was the budget holder, who was usually at head of division level and sometimes at head of group level. That was the case across the 360 budget lines that we addressed. If we had questions, they were addressed through that channel, because those were the people who were responsible for allocating the money from the Scottish Executive budget. We did not go directly to the NDPBs.

The Convener: It is concerning that the figures are four years out of date. When were the figures for the period from 2000 to 2002 produced? How long a delay was there?

Bill Hughes: My understanding was that they were produced in late 2005.

The Convener: So it took three years.

Rhoda Grant: On the evaluation of outcomes and the like, last week we heard evidence on the health service budget, which, in comparison to this budget, is enormous. In a way, it should be easier to evaluate this budget, given that you are working with an NDPB and that programmes such as the active schools programme have been evaluated and NDPBs produce annual reports. Perhaps what

they are asked to report on in those reports needs to be changed to get the kind of outcome data that you need. However, it is difficult to get outcomes when you are looking at issues over the long term. For example, we will not know the full success of the active schools programme until that generation is in their middle years and we can see whether their health is an improvement on the health of people who are currently in their middle years.

I understand that such evaluation involves a lot of work. I would be interested to know whether there are any staging points during the process at which we should gauge outcomes and, indeed, what those outcomes might be.

You talked about the Scottish Executive reviewing the operations of the Scottish Institute of Sport. I understand that that is lottery funded. I am not sure, therefore, how the Scottish Executive can carry out that work as I thought that bodies that were funded by the lottery had to answer to the lottery in relation to that funding and that, therefore, they were beyond the influence of the Scottish Executive and local government in that regard.

Government bodies are always moaning that the lottery is very good at funding things and leaving them to maintain them afterwards. I would argue, however, that one of the benefits of lottery funding is that an idea can come from the grass roots and be built upon before Government or local government takes a view on it and decides whether it needs to continue. I am not sure how the issue of lottery funding affects what the report says, so I would be interested to hear your view.

Bill Hughes: I accept what you say about the difficulties that are presented by the evaluation of outcomes. However, I think that that difficulty should be recognised as a challenge to those who are developing the policy. There needs to be much more clarity around what the expectations are when budgets are being allocated. That should then lead to the staging points that you talked about. In relation to the active schools programme, I am not aware what those staging points would be, as that relates to a level of detail that is greater than we were concerned with.

I accept that the Scottish Institute of Sport is, largely, lottery funded. However, we were interested in the relationship between the Scottish Institute of Sport and sportscotland. We wanted to know whether their interests overlapped in any way and whether that, in itself, led to some unnecessary expenditure.

Rhoda Grant: I thought that checks were done to ensure that lottery-funded projects do not overlap and that a strict rule was that lottery funding is not provided to something that should be or is funded by the public purse.

Bill Hughes: You are absolutely right. As we say in the report, we did not go into the work of the Scottish Institute of Sport, so all I leave with the committee is the question whether what that institute does is entirely autonomous of what sportscotland does. If it is autonomous, that is fine and I have no further issues with the approach. My worry is that if the sporting activity that the institute covers is similar or close to what sportscotland covers, there is a risk of duplication, which needs to be examined and resolved.

Michael Matheson: I understand that the Scottish Institute of Sport receives sports lottery funding, which sportscotland administers and distributes, so the institute is accountable to sportscotland for how it uses that money, which is for sportscotland to consider. That clarifies the difference between sports lottery funding and funding from the Big Lottery Fund.

The Convener: Is that the case, Mr Hughes? I know that Michael Matheson is well up on sporting matters.

Bill Hughes: I accept Michael Matheson's advice.

The Convener: I thank Michael Matheson for that clarification.

Mary Scanlon will ask the last question.

Mary Scanlon: I will try to be brief. The budget review group has contributed enormously to the process. Your frustration about finding outcomes when scrutinising the budget is replicated tenfold among us, given your group's wealth of experience and access to officials over several months. I hope that you will empathise when we produce recommendations.

The group says that its report reflects views and messages that you heard. In paragraph 6.4.65 of your report, you recommend that

"The Executive should review the performance of sportscotland".

I hear what you say about outcomes, activity rates and so on. However, given that the report reflects views and messages, what were you looking for in that recommendation? You have talked about bureaucracy and mergers, and the Government has proposed abolition of sportscotland.

Bill Howat: I will let Bill Hughes talk about the specifics of sportscotland.

One general chapter contains a section that is headed "The 'Crowded Landscape'", in which we highlight the large number of public bodies for a relatively small country and recommend that that should be considered. We did that without any idea of what mergers might take place or what bodies might disappear. We were simply asked to consider what headroom might exist and how

public resources might be allocated better. As members have realised, we were raising for discussion whether activities could be done better. That underlies the point about sportscotland.

I realise that the committee is running late, but would it be permissible for me to make a general comment at the end, convener?

The Convener: Thank you. I will take no further questions. [*Interruption.*] I am sorry—I have been distracted, although it was a worthy distraction by my clerks.

Bill Howat: I am sure that it was.

The Convener: I apologise.

Bill Howat: There were two points; I dealt with the general issue and I will hand over the sportscotland question to Bill Hughes. Would it be permissible for me to make a general comment at the end, please?

The Convener: Yes.

Bill Hughes: The point that we tried to make in paragraph 6.4.65 is that the budget holders saw the participation rates as their outcome measure. Because the participation rates as published at that time were out of date—because of the gap in the information that was available—we could not form any view on the effectiveness of sportscotland or the Scottish Institute of Sport. That is why we recommended further review.

11:00

Bill Howat: I thank the committee for the opportunity to appear. I have a general comment that was prompted by Rhoda Grant's question about outcomes and other milestones. I take her point that if something is done through active schools to affect children's health, until the cohort moves through the life cycle, we do not know the full results. However, I strongly recommend that when the committee considers budget proposals, it recognises that we have considerable time-series data and data from other countries to work out the likely impact of any policy on that cohort. We do not have to wait; we can do some projection. I strongly recommend that when the committee considers budget proposals, it digs a bit deeper than we could, to ask about the basis on which policies are proposed. Mr Finnie was correct to point out that we did not have the time to establish baselines against which to make those judgments.

I strongly recommend that at the next stage of the process, when proposals are in front of the committee, members recognise that they have a role in determining the outcomes, how they are specified and how they are designed not to produce perverse incentives. We have not

touched on that difficult matter; I see Dr Simpson nodding his head. As Bill Hughes said, it is easy to make a participation rate a target and to find that the rate increases, but for all the wrong reasons; that it does not have the impact that is wanted; or that it has another impact down the line.

If we can give the committee no other message, our message is that those issues were recognised in the system but not adequately addressed. To be fair, they are probably not addressed adequately in any large-scale public expenditure system. A chance is available to take that to the next level and I wish the committee well.

The Convener: I thank both witnesses for appearing. In the broader scheme of things, the committee has understood the connectivity and consequential of policy decisions and funding across portfolios. We are trying to address that in our budget scrutiny.

We now move into private session, as agreed last week.

11:02

Meeting continued in private until 12:29.

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