

# **ENTERPRISE AND CULTURE COMMITTEE**

Tuesday 15 March 2005

Session 2

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## ENTERPRISE AND CULTURE COMMITTEE 8<sup>th</sup> Meeting 2005, Session 2

### CONVENER

\*Alex Neil (Central Scotland) (SNP)

### DEPUTY CONVENER

Mike Watson (Glasgow Cathcart) (Lab)

### COMMITTEE MEMBERS

\*Richard Baker (North East Scotland) (Lab)  
\*Chris Ballance (South of Scotland) (Green)  
\*Susan Deacon (Edinburgh East and Musselburgh) (Lab)  
\*Murdo Fraser (Mid Scotland and Fife) (Con)  
\*Michael Matheson (Central Scotland) (SNP)  
\*Christine May (Central Fife) (Lab)  
\*Mike Pringle (Edinburgh South) (LD)

### COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)  
Mr David Davidson (North East Scotland) (Con)  
Fiona Hyslop (Lothians) (SNP)  
Margaret Jamieson (Kilmarnock and Loudoun) (Lab)  
George Lyon (Argyll and Bute) (LD)

\*attended

### THE FOLLOWING GAVE EVIDENCE:

Dharmendra Kanani (Big Lottery Fund)  
Jackie Killeen (Big Lottery Fund)  
Colin McLean (Heritage Lottery Fund)  
Joshua Peck (Heritage Lottery Fund)

### CLERK TO THE COMMITTEE

Stephen Imrie

### SENIOR ASSISTANT CLERK

Douglas Thornton

### ASSISTANT CLERK

Seán Wixted

### LOCATION

Committee Room 5



# Scottish Parliament

## Enterprise and Culture Committee

*Tuesday 15 March 2005*

[THE CONVENER *opened the meeting at 14:06*]

### National Lottery Fund Distributors

**The Convener (Alex Neil):** Welcome to the eighth meeting in 2005 of the Enterprise and Culture Committee. I remind everybody to switch off their mobile phones. We have received apologies from the deputy convener, Mike Watson, who is ill. Richard Baker has notified us that he may have to leave the meeting early to go back to Aberdeen.

The first item on the agenda is on national lottery fund distributors. We will take two sets of oral evidence to supplement the written evidence that we have received. First, we have Dharmendra Kanani, who is the director of the Big Lottery Fund in Scotland, and Jackie Killeen, who is the head of policy for that organisation. I remind members that we cannot raise constituency issues about lottery grant applications that have been turned down. As the discussion is about general policy, I will have to overrule specific references to individual grant applications, which will have to be discussed offline, after the meeting. I ask Dharmendra Kanani to say a few words to supplement his written evidence.

**Dharmendra Kanani (Big Lottery Fund):** I welcome the opportunity to have a conversation with the committee about the Big Lottery Fund and what we hope to achieve. As the convener knows, we have actively sought to engage with the Scottish Parliament in a discussion about what our organisation does. When I was appointed six months ago as the head of the new body in Scotland, I became aware that members of the Scottish Parliament had not been fully briefed on, or were not fully aware of, the opportunities that the development and creation of the Scottish Big Lottery Fund presented. We welcome the opportunity to go through some of the key challenges and opportunities for us and for members.

One of the biggest issues for us is that we have an opportunity to work with the Scottish Parliament to shape and develop a brand new public body in Scotland that is relevant to Scottish interests. We have a serious opportunity to think seriously about investment in communities throughout Scotland, in

the context of a budget that is in excess of £60 million a year. We have an opportunity to build on the considerable and weighty expertise and experience of two organisations: the New Opportunities Fund and the Community Fund. We can build on that legacy of experience of investing in communities through projects that range from those that provide hospice care to major transformational projects that have the aim of turning communities round, physically and through building capacity.

Those are the opportunities. Some of the challenges for us are about ensuring that, as a funding body, we are not regarded as a purse that sits at the table. One of the key messages that we wanted to communicate—as a result both of the discussions that have taken place United Kingdom-wide and of some of the issues contained in the decision document that led to the merger of the two predecessor organisations into the Big Lottery Fund—is about not only economies of scale but what our becoming a strategic funder means for us in Scotland. It is not simply about whether we can fund X, Y or Z, but about how we can support meaningfully some of the outcomes that you want to achieve. We need to have a different kind of conversation.

There needs to be a turning point in the perception of lottery funders generally and the Big Lottery Fund in particular, given that we are one of the largest distributors of lottery money—more than 50 per cent of lottery moneys come through our door. We have the opportunity to cut across the life experience of communities across the board. We need to consider how we can work most effectively with members of the Scottish Parliament and with other partners in responding to some of the issues that have been raised by grant recipients and partners in delivering social change through our funding—I refer to public bodies as well as communities. The key messages are that people want us to be much more strategic, to join up with other funders' processes and to be the organisation that enables need to be mapped across the board. People want us not simply to back fill but to take centre stage with other partners in thinking through how we achieve social change objectives in Scotland. That is the broad canvas of what is before us.

A key point for us is that three weeks ago, at the Scottish Council for Voluntary Organisations gathering event, we launched our second-stage consultation with our host minister, Patricia Ferguson. That consultation builds on our having spoken to communities throughout Scotland about what kind of funder we should be and the role that we need to play. It is very much about how we operate and the kind of programmes in which we engage. We have established an approach that is consistent with that in the rest of the UK, but which

is perhaps more organic, in that we are considering a set of outcomes ranging from providing better life chances for communities to ensuring stronger, healthier communities. We are considering delivering those outcomes in partnership with others and are looking at the funding priorities that we should engage in to get the outcomes that we want to achieve collectively. The consultation is about our having a broader, more strategic conversation to get a better sense of how the outcomes that we are developing sit alongside those of the broader policy community.

You will be aware that the priorities and the outcomes on which we are consulting have been agreed in partnership with the Scottish Executive. There has been an Executive-wide conversation about them and we are embarking on a three-month, significant range of discussions across the piece to get to a position in which we are clearer not only about the priorities and programmes that we will deliver but, more important, the kind of interventions that will truly add value. That will allow us to pick up the tab where there are significant gaps and advance the agenda, rather than being seen as an organisation that back fills. That is the most important issue for us.

We look forward to hearing your views on the consultation, because, given that you are our host committee, as it were, it is important to get a sense of whether you feel that the outcomes that we have established and the way in which we are approaching our work is on track and meets some of your needs. We would like a sense of how we can build on that conversation in the long term to be a player with you in delivering some of the social change to which we are all committed.

**The Convener:** Do you want to add anything to that, Jackie?

**Jackie Killeen (Big Lottery Fund):** Dharmendra Kanani has pretty much covered it. We are happy to take questions.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I am grateful for the briefing. I share your enthusiasm and excitement about the potential behind the creation of the Big Lottery Fund and the legislative changes that underpin it. My preoccupation—I am sure that it is also yours—is how we translate those hopes and aspirations into practice.

I will ask you three specific questions. First, you mentioned the consultation processes that are under way. How will you ensure that the latest round of consultation adds value to all the consultation that has gone before—that the consultation is about moving forward rather than about people having the same discussions that they have had oodles of times before? Secondly, how do you envisage strategic objectives being

agreed, especially given the respective roles of Government, local government and the Big Lottery Fund? How is a unified view reached and who then takes the lead in driving that forward? Finally, the matter of greatest concern to me is how, for local organisations, all that feels better and easier than the current systems, which, as I am sure we all agree, absorb a disproportionate amount of volunteers' time in a paper chase. I would like to hear what you hope to do to change that.

14:15

**Dharmendra Kanani:** We began our consultation in June last year on the type of organisation that we should be and the way in which we should behave as a funder. We spent three months having a broad conversation with players across the piece. It was a classic consultation: we ensured that we took account of regional variation and so on and, instead of saying that we would come back to players later on, we produced a document called "What you told us", which synthesises the key messages that people gave us. There is a clear relationship between that document and the consultation document that we have developed. The exercise was about establishing the kind of funder that we ought to be and the direction that we should go in. In the consultation document, we take account of consultees' comments that we should have a cross-cutting, outcome-focused approach and ensure joined-up working and so on.

On how the consultation will go forward, we are ensuring that we bring on board key partners. For example, this Friday, lottery officers from every local authority, together with community planning officers, are coming into the organisation—we are bringing two parts of local government together and asking, "How does this work fit in with your priorities and how should we take it forward?" We will have a similar conversation with councils of voluntary service throughout Scotland. Information that emerges from such discussions will be fed into the process to give us an understanding of what people are saying, and then we will go underground, as it were, and start to develop programme activity. We will therefore take full account of what has been said. The ultimate decision on our programmes will be made in consultation with the Executive and our board at a UK-wide level. That is what is being done on the consultation side—I will come back to you if I have missed out anything.

Your third question, on local organisations, is linked to your second question. Something that has come out of the consultation exercise is that people welcome the opportunity to reduce duplication through bringing this larger beast together. People want someone to rationalise the

funding processes and make them simpler and more straightforward. We must do that and ensure that we work with, for example, the forum of Scottish lottery distributors, which comes together quite regularly to consider such issues.

We ought to lead on this issue, so we plan to bring together representatives from funders throughout Scotland—local government, the Scottish Executive, ourselves and others—to discuss whether we are clear about what we are demanding of applicants in relation to certain pots of money and to ensure that we are clear about the administrative requirements that we place on organisations that bid for money. The other aspect is to link up with agencies such as Evaluation Support Scotland, which brings together some of the large charitable trusts and other organisations, to consider how we establish a common framework of evaluation and thereby do the work at our end rather than place the burden on a smaller voluntary or community sector organisation. Our plan is to ensure that that work happens in tandem with rest of the process.

On capacity building, a central issue is that there has been a lot of talk and a lot written about it but, to a certain extent, we have not got to the bottom of what we mean by it. In the Scottish context, we need to have a conversation about bringing together people from the CVS network across Scotland to think about how the network is resourced and what its purpose is at regional and local level. If its purpose is to support voluntary community activity, we need to think about how we can support it locally through more effective resourcing and funding at a strategic level.

Those are some of our ideas on how we hope to take forward the issues that you mentioned. Perhaps Jackie Killeen can cover any points that I have missed.

**Jackie Killeen:** I will add one or two points.

Through the consultation, we are actively seeking ways of reducing the burden on applicants by simplifying processes. We aim to take the opportunity to work with other funders to consider tangible ways in which that might be done. For example, we are currently examining whether our outcomes at national level could fit in with local outcomes at the community planning level to reduce the level of information that we require from applicants. We are considering those community planning issues at the moment.

We are also considering how the burden on grant recipients could be reduced on an on-going basis. We hope to be able to identify ways of working with other funders so that an organisation that has received three or four grants will not be required to provide three or four sets of monitoring information. We are actively looking at how we can

tackle the monitoring requirements so that, when we roll out our new portfolio of funding programmes, the process will be easier, less confusing and less cumbersome for applicants.

**Susan Deacon:** I am very much encouraged by those measures, which I support. Out of interest, I want to ask whether you have employed people with specific expertise to drill down into some of the systems issues that are involved. A change in culture and philosophy, a willingness to make processes more joined up and a lighter touch are necessary first steps. However, it strikes me that although the Executive and local authorities have held similar laudable aspirations, their ideas have failed to work in practice for the person on the receiving end. Such failures have occurred not because of a lack of commitment or sign-up to making things easier, but because the detailed systems, operations and practices have not been sufficiently re-engineered to make them easier for people to operate. I am genuinely interested to know whether you have brought in anyone with expertise on such operational and systems-design aspects.

**Dharmendra Kanani:** There are two levels to that: what we are doing internally and what is happening in the external environment.

At the UK-wide level, the lottery distributors have come together in a lottery forum to consider issues around application processes and how we create a single entry point for groups. We have a long way to go because we need to ensure that we have the technology that can back that up, but technology will provide some of the answer. Those UK-wide developments will affect us in Scotland.

At the Scotland-wide level, we need to try to ensure that there is some clarity within the Scottish Executive about these questions and about how we can drill down to get the proportionate information that we require. As a distributor of lottery funding, we also need to wire up some of our processes with those of our partners. We plan to do that. We are investing to ensure that we test our application materials whenever we develop new programmes. For example, part of the challenge in developing the £20 million young people's fund for Scotland, which we will launch in early summer, is to ensure that young people are involved in the design, delivery and evaluation of the process. In that case, we invested in an organisation that carried out some consultation work for us, following which we devised an approach. We will test the materials before they are launched to ensure they will not render incapable the particular projects in the communities that we want to reach. We need to take such an approach. We are trying to build in and mainstream that way of thinking into programme development.

However, we are conscious of the fact that we need to be joined at the table by the bigger players, such as local government, other grant-making community trusts and the Executive. We want to get them round the table soon to talk about how we make sense of this. We intend to have that conversation and to work out a plan that allows us to begin to piece together a programme of work on reducing application burdens and other processes.

**Chris Ballance (South of Scotland) (Green):**

The witnesses may be aware that the committee recently published a report on voluntary arts in the community. The points that Susan Deacon has just made were also an important part of that report, so I was glad to hear your response to them.

What pitfalls have you identified in the structure of the changes and in your takeover of the administration and are you convinced that you can overcome them? For example, the Community Fund will finish in about two months, but your operation will not start for a year. Also, the changes will inevitably lead to public confusion.

**Dharmendra Kanani:** My answer will be on a number of levels, but I will deal with the big picture first, if I may. One of the biggest issues when I took up the post was that we needed to engage with the Scottish Parliament—we are plugging that gap today. In the past, lottery distributors, particularly the New Opportunities Fund and the Community Fund, were at a distance from the Parliament. We must ensure that the Big Lottery Fund, as a new organisation with a new purpose, locks into some of your processes of planning, delivering and reviewing objectives. We can have a huge role in that because, given the experience of investing more than £600 million in the past 10 years in projects that range from major to small scale, we are information rich. However, we have not yet made the leap to ensuring that we share that information externally. We need to adopt that new way of working—one challenge for us is to become that type of creature.

Another pitfall is that people do not see us in that role. Other organisations do not regard us as truly cross cutting. Like any organisation that wants to be truly cross cutting, we need to find opportunities to lock into the Executive or the Parliament. We must ensure that we do not sit simply within the leisure and culture box, because our remit is wider than that. We must ensure that systems in the Executive and elsewhere can support that way of working. We are trying to plug that gap through conversations with politicians and civil servants.

Those two issues relate to the larger playing field, but a practical issue, to which Chris Ballance pointed, is to do with the aspirations and

expectations of historical recipients of funding from the predecessor organisations. We want to ensure that the consultation in which we are engaged—we are at the second stage, which builds on the first stage—is truly meaningful to those people. We need to clarify that the changes are not about anybody losing out, but about building on opportunities. For example, we have stated clearly to the voluntary community sector that 60 to 70 per cent of our funding will be guaranteed to benefit that sector. The challenge is to consider how to ensure that that happens, but we will do that in partnership, not in isolation.

Another turning point will be convincing our partners that we want to work on and develop programmes in partnership and with more accountability. For example, our work on the young people's fund and the programme that we intend to launch to involve greater public voting in a number of ways will open up opportunities for past stakeholders who see themselves as relevant to our work, as well as providing street or punter-level access to what we do, which is hugely important.

We cannot get away from the fact that the National Lottery Bill, which will underpin the new body, has not had its second reading. The two organisations were administratively merged last June, but at present we work through orders from the Secretary of State for Culture, Media and Sport, which will have to continue. We will have to ensure that we are seen to be working as one organisation and that the programmes that we develop are genuinely regarded as being Big Lottery Fund programmes. The trick will be to ensure that we are able to do that in governance terms. A great deal of back-peddalling is going on, lots of work is being done and many negotiations are taking place across the board to ensure that we are able to do that even though the legislation is not in place. We are doing all that we can to ensure that we are able to operate as a unified entity. We are doing that—we are merged. The underpinning legislation is a bit more challenging. We will have to ensure that we work with the Department for Culture, Media and Sport and the Scottish Executive to run a range of programmes in the autumn as planned.

14:30

**Chris Ballance:** I want to ask about the programmes. My initial response to the proposed outcomes for Scotland was positive, but how do you define the difference between the UK objective of "Promoting well-being" and the Scottish Executive outcome of ensuring that

"People and communities are healthier"?

My question relates to the difference between health and well-being.



**Dharmendra Kanani:** That is a challenging question. We must be clear that although the themes that the secretary of state has established are UK-wide, we have negotiated with ministers in the Executive to establish the outcomes that are relevant to Scotland. Although the link might not be immediately clear—I do not want to fudge the issue; there is a major difference between the UK programme and the Scottish programme—the most important thing to understand is that we want to achieve those outcomes in a number of ways through a number of funding priorities. We have set out in our submission some of the areas that we might cover through funding. Rather than suggest what we mean by that, we want the consultation process to lead us to conclusions on how we achieve some of those outcomes. Instead of sitting back and saying, “This is how we think that it will be done,” we will conduct joint negotiations with the other players and partners on what outcomes and priorities the programmes will deliver.

**Jackie Killeen:** A helpful way of understanding matters is that the three themes are descriptors—they just describe the areas for which we provide funding. The outcomes are the changes that we want to achieve through our funding. For want of a better expression, the outcomes are destination statements in that they indicate what the individual funding programmes will have changed by the time that they finish. The three themes just describe the areas that we fund. They were intended to capture the previous work of both the Community Fund and the New Opportunities Fund. Between them, they cover charitable and voluntary sector funding, as well as funding for education, health and the environment, which were the areas that the New Opportunities Fund dealt with. There has been an attempt to be more inclusive by going beyond just those specific areas.

**Chris Ballance:** I appreciate what you say, but well-being is different from health. Why does the minister feel that it is necessary to change the UK-wide goal of promoting well-being into a Scottish goal of making people healthier?

**Dharmendra Kanani:** There will be a view on that in the Executive, but our point of view is that although those themes will structure the work and the governance of the whole UK-wide body, it is for the devolved Administrations to determine the outcomes. Although it might not be immediately clear what well-being means as regards better life chances or healthier communities, for example, I suppose that some of the outcomes have more relevance to what we do in a Scottish context than they do to the themes that the secretary of state, Tessa Jowell, has established in London.

As I have said, it will be key that we work with people out there to define what the outcomes of

the projects that we fund will look like and to say what changes we are looking for. In partnership, we will determine the priorities for the programmes that will get us there.

**Chris Ballance:** Do you envisage yourself having four different application streams, each of which will feed into a particular outcome, or do you envisage yourself having just one application stream?

**Dharmendra Kanani:** That is up for grabs.

**Jackie Killeen:** It is a discussion that we are having at the moment.

**Dharmendra Kanani:** That is what I am saying. We have an overarching framework, which defines the changes that we want to achieve in a Scottish context. They link to a policy environment that is relevant to you and others. Now, if we are to develop programmes, it is a case of asking what they should look like, deciding whether we should have a portfolio of funding programmes with one application form so that people can say, “I will meet four outcomes and this is how I’ll do it, but I want to bid for £50,000 rather than £1 million,” and asking whether that system is workable.

We need the administrative back-up to ensure that we wire up that responsibility internally, as opposed to placing it outside. However, I do not want to pre-empt the consultation. There are three months ahead in which we can fine tune our thinking. If we have open, broad-based programmes, that will bring with it certain challenges about how we evaluate them and learn from that, but if we have specific, finite, sector-based programmes, we will exclude certain communities of interest. We must achieve a balance and listen and respond to some of the concerns that exist.

**Jackie Killeen:** A key desire of ours is to allow those who are seeking funding to find where they fit, and a key objective for us is to reduce or, if possible, eliminate confusion, so whatever portfolio of programmes we come up with, we want applicants to know how that portfolio is relevant to them and where and how they can access funding.

**Christine May (Central Fife) (Lab):** I apologise to the convener and witnesses for being late. If my question was asked before I came in, I am sure that somebody will tell me. It goes back to what you said a moment ago about not excluding people, Mr Kanani. What steps are you taking to ensure that those who traditionally have been excluded from lottery funding—the very disadvantaged, much less articulate and much less savvy communities—are not excluded and that funding does not go only to the usual suspects, who know their way around the system, are very good at filling in application forms, can hit

every criterion bang on the nose, have done it for years and have adapted what they always wanted to do to fit the criteria?

I am interested in hearing more about public voting, because I suspect that there is a danger that many of those whom I want the programmes to target—those communities that most need support—might be considered to be the undeserving deprived. There is a danger that some might ask why we cannot have something for the nice folk who really want to get healthier instead of something for those who have no interest in getting healthier.

**Dharmendra Kanani:** As I am a previous head of the Commission for Racial Equality in Scotland and have been involved in equalities organisations UK-wide, one of my key concerns is to ensure that consideration of disadvantage and inequality permeates the life-blood of the Big Lottery Fund. It would not be fair to say that the New Opportunities Fund and the Community Fund did not achieve that, because they both did in various ways. They had track records in, and did a lot of work on, ensuring that communities of disadvantage participated as applicants and recipients of the funds. However, we must ensure that that is much more in the main stream of what we do on a number of levels. As a UK-wide organisation, we have an equalities policy forum, which brings together some key individuals who have a track record in equalities to bring a critical review to bear on our work. At a Scottish level, we are considering how we can build in, in clear terms and right from the outset, the impact that equalities and disadvantage have on our programme of activity.

A clear-cut example is the way in which we are developing our young people's fund. We will establish a discrete and explicit stream of activity for those communities that have been hardest to reach and those that have not felt that they have had part of the buck that has been here in Scotland, whether because of race, disability, gender or something else. That stream will consider those issues up front to ensure that they are part of what we fund. We will also engage a range of stakeholders who would be broadly classified as representative of those who are not as acute and smart about the processes to come round the table and tell us what we need to change to ensure that the systems that we develop are worth while for their constituency.

Most public organisations face the difficulty of deciding whether to prioritise according to community of interest or create a cross-cutting and accountable opportunity to reach a range of groups. The balance will be between, on the one hand, ticking the box that says that Gypsy Travellers or lesbian and gay people or whatever

have been covered and then thinking that the rest of the funding can go elsewhere because we have met those priorities and, on the other hand, saying that there are communities that are disadvantaged—on the grounds of their gender, race and so on—and have a multiplicity of needs and that it is therefore important to ensure that we build that way of working into what we do. That is how we will deal with the issues and communities that you describe. The first stage of our consultation, which took place before I arrived, took full account of the issue that you spoke about. We have had responses from people who have been honest about the fact that, historically, both organisations have not been felt to be receptive or close to that type of need.

A related point is to do with intelligence. One of our aspirations is to become an intelligent funder. We can do that by investing in technology that enables us to understand our impact across Scotland so that we can see where the gaps are and whether there are communities of interest that are missing out. We need to be smarter in that regard. Part of being an intelligent funder is working with other funders to ensure that we are clear about how we can tackle some of the priorities that you have identified without duplicating effort. Four years ago, a lot of money was being ploughed into capacity building in sectors such as the ethnic minority sector. However, funders were not talking to each other, which meant that there was a huge amount of duplication of work and that people had to fill in lots of different forms for different people. We need to overcome that situation.

Earlier, I alluded to the point that you made about public voting. We have to balance public accountability and public involvement against some of the aspirations and hopes that we have as an organisation. One of the things that we must do is trial various ways of getting the public to engage in what we do. Although not all of our spending will be subject to public voting, we need to invest in approaches that will enable us to create some sort of resonance between what we decide around a table and the members of the public who buy the tickets once or twice a week. We need to be able to communicate the impact that buying a lottery ticket has in terms of social change. If we can achieve that in a meaningful way through engaging in public voting on some aspects of our funding, we will. We are fully cognisant of the fact that there are challenges to that approach in terms of the types of project that will be most popular and those that will be least popular and we will build in mechanisms to ensure that the ones that are least popular are not disadvantaged.

**Michael Matheson (Central Scotland) (SNP):**  
The section of the Heritage Lottery Fund's

submission that deals with the Olympic bid's impact on the funding stream says:

"The DCMS forecasts that HLF's income from Lottery ticket sales will be reduced by £22m before 2009 and £53m in the three years 2009 – 2012".

Is the figure for the period from 2009 to 2012 a yearly reduction or is it the reduction for all three years together?

**Jackie Killeen:** Those are the Heritage Lottery Fund's figures. Our budget is separate.

**Dharmendra Kanani:** Our budget figures are different in the sense that our income stream is guaranteed until 2009. Our colleagues from the Heritage Lottery Fund, to whom you will speak later, might be able to answer your question more directly than we can.

**Michael Matheson:** I am sorry, I thought that Jackie Killeen was from the Heritage Lottery Fund.

**The Convener:** I have two or three questions that I would like to ask and will put the first one delicately as it relates to a sensitive issue. Over the past couple of days, Cardinal Keith O'Brien has asked people to boycott the lottery as he believes that it has been funding activities relating to abortion. What policy, if any, do you have on funding projects of the kind to which Cardinal O'Brien has referred? Has that been happening south of the border but not north of the border?

14:45

**Dharmendra Kanani:** We have funded projects across the UK that promote sexual health across the board, and we have funded projects that deal in various ways with the issues that have been raised by the cardinal. We do not have a specific policy view on the statements that have been made, but we do fund projects—rather than organisations—that promote sexual health.

We respect the rights of individuals to make choices in relation to the buying of lottery tickets, but we do not have a policy statement or policy programme that deals with the issues that have been raised or the funding areas that have been criticised. Our principal objective is to tackle disadvantage and promote better well-being across the board, and there are issues underneath that to do with promoting sexual health, for which we have provided funding to a number of organisations. I must say that the levels of funding that we have contributed or invested have not been terribly significant. Over the years they have been sizeable, but not significant when compared with other major programmes of activity that we have been engaged in.

**The Convener:** Presumably, the projects would be funded within the guidelines that are laid down by the Scottish Executive on sexual health programmes.

**Dharmendra Kanani:** Indeed. Our organisation used to operate as two organisations, and both organisations worked within a framework that was set in cognisance of the policy framework, either by the Executive or by the UK Government. Our work therefore sits comfortably with, and is linked to, some of those broader objectives, so promoting better sexual health would be part and parcel of some of the initiatives that the Executive would want us to achieve.

**The Convener:** On a completely separate subject, I would like to ask you about the Scottish committee of the new organisation. How will it be appointed? How will it operate? Will it be transparent? Will it meet in public? How does all of that operate?

**Dharmendra Kanani:** The detail of the organisation's operation is some way down the line. We have got the legislation to get through and it is unfortunate that we do not have the legislation in place, because that would enable us to work through some of the details much more quickly. The challenge for us now is to ensure that we have a clear and distinct Scottish presence at board level, to ensure that we can continue to achieve the aspirations that we set right at the outset when the Big Lottery Fund was established. We expect to have Scottish committee members appointed through the public appointments process, and Scottish ministers will be involved in that process, as they are with other public appointments. Our appointments process will operate as it does for other public organisations.

With regard to how the committee will work, I see no difficulty in a committee of that nature meeting in public but being guided by the same protocols that any other public body, such as the Parliament, would use for going into closed session, depending on the nature of the business. However, transparency would be an underpinning value that we would want to incorporate.

**The Convener:** I have two final questions. The first one may be too premature to allow you to give a detailed answer, given what you have said about consulting on outcomes. How will you measure success vis-à-vis those outcomes?

Secondly, will you be able to fund unpopular projects? I listened to what you said about having a meeting on Friday with the local government lottery officers, but what the lottery does should not be dictated by local authorities, or indeed by the Scottish Executive or the Government. The purpose of the lottery was to be much more free ranging than that, albeit within a broad policy framework reflecting some of the Government's priorities. Will you be independent enough to say to Patricia Ferguson, "You might not like it, but we're doing it"?

**Dharmendra Kanani:** Recent experience suggests that we have been able to determine our destiny quite freely, and the consultation document is an example of that. Our consultation document sits apart from those produced elsewhere in the UK. Our daisy diagram shows that the consultation is very different because it takes a more fluid and organic approach as opposed to being deterministic and saying that certain outcomes will lead to certain priorities. We are leaving the consultation more free and open so that there can be a conversation across the board.

We might as well be up front about the notion of unpopular projects. We have always been in the public eye and will continue to be so because we are an organisation that funds projects. However, we will always continue to fund need in various forms, but that need will be negotiated taking into account what others are funding and how it sits within a wider policy framework of changing what we do in the medium to long term. I do not think that the organisation will cower or feel less confident about making sure that it responds effectively. We will do that and we will build on what we have done so far.

The legislation and guidance are very clear that there has been political agreement to direct us at a very high level as opposed to the detailed level at which we have been directed previously. That is an interesting and important turning point in the way in which we will work.

Evaluating success and outcomes is a huge issue. Outcome funding is fairly new in the UK and elsewhere. We need to make sure that we work with others to get a sound evaluation framework across Scotland because it will not work if we do it on our own. We will be building evaluation and learning into every programme with which we are involved to make what we are doing more consistent. There will be an element of making sure that we are able to measure success and promote learning to other partners across the board in a more consistently open and transparent way than we have done in the past. That is the approach that we will be taking to evaluating our success and feeding that information across the board.

**The Convener:** This is my final question. Of the £60 million that you are hoping to spend in Scotland every year, what percentage will end up going to the end-user projects in the communities? How much will be spent on overheads, bureaucracy, intermediate consultants and the like?

**Dharmendra Kanani:** The majority of the funding will go out to the public, whether it be through intermediary bodies or directly to the community voluntary organisations. For example,

a small group that wants to do any number of things will get the money directly. Our objective is to spend that money on good causes not on our administration.

**The Convener:** What would a rough figure be? You said the "majority of the funding", but that could be anything between 51 per cent and 99 per cent.

**Jackie Killeen:** The New Opportunities Fund had to keep administration costs under 5 per cent and it always managed to do that, so 95 per cent of any budget went to projects. We certainly aim to meet that level.

One of the motivations for the merger of the Community Fund and the New Opportunities Fund was to try to increase those economic benefits so that even more money went directly to projects and beneficiaries. We cannot give you exact figures yet, but that was the aim.

**Dharmendra Kanani:** Between 4 per cent and 5 per cent goes on administration.

**The Convener:** That completes our questions. I thank you both very much for an extremely helpful session and for your written evidence. No doubt we will have you back once the fund is fully operational. I am told that there is a possibility that the legislation will fall because of the general election. If the Tories win, for example, I do not know whether they will reintroduce the bill, but we will assume that you will be back next year as head of the merged fund.

**Christine May:** But not this year.

**Dharmendra Kanani:** Thank you for the opportunity.

**Murdo Fraser (Mid Scotland and Fife) (Con):** I am not going to respond to what the convener said.

**The Convener:** I welcome Colin McLean, who is the Scottish manager of the Heritage Lottery Fund, and Joshua Peck, who is head of public affairs at the fund. I thank Colin McLean for his written evidence, which was very helpful, and invite him to say a few words.

**Colin McLean (Heritage Lottery Fund):** Thank you for the opportunity to discuss our work with the committee.

In addition to the information that we have given the committee in writing, I will make one or two points by way of introduction. First, I will mention the scale of our investment, which currently totals £372 million in Scotland. Other than the Millennium Commission, the Heritage Lottery Fund has so far invested a greater amount in Scotland than any other lottery distributor. We recognise that the advent of our colleagues at the Big Lottery Fund will change the situation, but that fact

demonstrates that the Heritage Lottery Fund has been, and continues to be, a very serious investor in Scotland.

As we draw towards the end of this financial year, it is proving to be a bumper one for the HLF in Scotland. The total that we have awarded in 2004-05, £51 million, already exceeds the total for any other year in our decade of existence. Scotland has done very well from the HLF compared with the United Kingdom as a whole. Our per capita spend figure for Scotland has consistently stayed ahead of the UK figure. A significant factor in that margin over the UK spend is that Scotland has been extremely successful in securing funds from our large project pot, in relation to which schemes have to compete on a UK basis, rather than from a dedicated Scotland budget.

We are perhaps best known for those very large awards, but the bulk of our work, by number, is on a much smaller scale. Those smaller awards are made as part of our heritage programme, for awards of up to £50,000; our young roots programme, for teenagers; and awards for all, which Dharmendra Kanani mentioned, for grants of up to £5,000. Through programmes such as those, we have demonstrated that heritage is genuinely for everyone. We firmly believe that heritage is crucial in helping Scotland and the Scots to better understand who we are, where we came from and where we are going.

**The Convener:** Thank you. I will start by giving Michael Matheson the opportunity to ask his question at the right time.

**Michael Matheson:** Thank you. Colin McLean might already know what my question is.

I thank Colin McLean for his submission and refer to the paragraph about lottery sales levels. Sales are predicted to decrease, which will result in a reduction of some £22 million in the HLF's income. Is that a Scottish figure? Is it a reduction in yearly income or is it a cumulative figure for the reduction in income between now and 2009? Similarly, is the predicted £53 million decrease in the three years between 2009 and 2012 a yearly or a cumulative amount?

**Colin McLean:** The easy question to answer is the one on the £53 million. That is the figure over the three-year period. The £22 million is in the period running up to 2009. Those are UK figures.

**Michael Matheson:** In the same paragraph of your submission, you state:

"The Government has also announced that £750m would be found from existing Lottery sources"

to fund the London Olympic bid if it is successful and that £340 million of that would come from sport lottery distributors. How would that impact on

the ground here in Scotland? The sportscotland submission indicates that lottery sports funding has almost halved in Scotland in the past seven years. I want to get a feel for whether we are looking at a continuing downward spiral if the London bid is successful.

**Colin McLean:** Our record to date in Scotland is of a relatively sustained level of funding. In fact, our spend this year is our highest so far. On that measure, there has been no significant drop in our spend in Scotland. We predict that next year our spending figure for the UK will be £330 million, which is approximately the same as this year. We predict that, in the year after that, the figure may drop to about £200 million. Because of the structure of our funding, Scotland does not get a fixed percentage of that figure, but if we were to take a figure of approximately 10 per cent, the spend in Scotland would shrink from about £30 million, on average, down to about £20 million. However, because of the way in which we do our funding and the way in which we draw down funding for large projects, that figure is often—in fact, regularly—exceeded in Scotland, so the impact will be rather less than it might be in the worst-case scenario.

**Michael Matheson:** What would be the impact of the figures in Scotland if they came into play?

**Colin McLean:** We expect that our budget for spending directly in Scotland, which is the budget that we spend on awards of up to £2 million, may shrink by approximately a third. Our budget this year is £14 million, so that might reduce by a third. The pot that we hold centrally for large projects may shrink by approximately the same proportion, but what we draw down from the pot for Scotland depends on the quality of the bids from Scotland. There is no fixed or straightforward answer to the question—we can predict that there will be an overall reduction in Scotland, but we cannot predict its exact scale.

15:00

**Christine May:** I remind the committee of my interest as a trustee of the Fife Historic Buildings Trust.

On page 5 of your written evidence, in the section on the National Lottery Bill, you state that you are

"hopeful that the DCMS will accept that"

by over-committing by two years' income you have "dealt satisfactorily with the balances issue"

and that certain clauses in the bill, which you do not believe are necessary, will not be required. Can you give us an update on the situation?

**Joshua Peck (Heritage Lottery Fund):** We wrote to the Department for Culture, Media and

Sport in February to set out our business plan for 2005, including the point that, by the end of 2006, we will be at two years' over-commitment, which our trustees feel is the maximum prudent level of over-commitment and which was recommended by the National Audit Office. We informed the DCMS that we will reach the NAO recommendation by the end of this financial year. The DCMS is considering the matter and we expect a response soon.

**Christine May:** Do you have any indication of whether the tone of the response will be positive or negative?

**Joshua Peck:** As our proposals meet the NAO recommendation, we hope that the response will be positive.

**Murdo Fraser:** My question goes back to the issue that Michael Matheson asked about—the projected decline in your income. Of the bids that you receive that meet your criteria, how many are you unable to fund on your current income? I am interested in that issue, given that the gap seems to be widening.

**Colin McLean:** We have been in an interesting situation in the past 15 months. Prior to that, we were able to fund nearly all the projects that met our assessment test, which is rigorous, although it is designed to be proportionate according to the level of request. In the past months, demand—in terms of bids that meet all the assessment criteria—has exceeded the supply of money. We have been anxious not to introduce any new criteria, but we have lifted the bar in all our existing criteria, which are published on our website, in our strategic plan and in our application packs. We are open and transparent about what we are looking for, but in the present competitive situation, we are looking for more of it. We have had to reject a small number of bids simply because we did not have enough money on the day when our committee met to spend the budget. However, the percentage is small—it is less than 10 per cent.

**Murdo Fraser:** Are the overall number of bids and the amount that is requested increasing over time and, if so, is the growth steady or exponential? What is the trend?

**Colin McLean:** The overall amount of money that is requested and the number of bids have been dropping in Scotland. We invest a great deal of time in outreach and development work at the front end of our application process. The trick is to send out realistic messages about what we can fund. Our development and outreach work is not about encouraging everyone to apply now, but about working with groups to develop projects that meet their needs and which, in turn, meet our criteria.

**Joshua Peck:** It is important to point out that the reduction by a third in income that Colin McLean

mentioned cannot be apportioned entirely to the proposed lottery funding for the Olympics; it is far more to do with balances and how we commit our money. Until now, we have been able to commit more money than we have received, because we have had some certainty about the income that we would receive in future years. However, because, by the end of this year, we will have reached the maximum over-commitment, we will have to stop over-committing, which is the main reason for the reduction. The reduction of approximately £100 million will come mainly as a result of the reduction in our over-commitment rather than the lottery funding for the Olympics.

**Murdo Fraser:** Given what you have said, do you project that the gap between the number of bids coming in and the number that you can fund will widen over time?

**Colin McLean:** That is almost inevitable, arithmetically. However, as I said, we spend a great deal of time and effort discussing with prospective applicants at the start of the process where they are going, whether they have examined all other opportunities for partnership funding and whether we can help them towards partnership funding. I hope that we can minimise the widening of the gap, but it is inevitable that, if we have less money, we will be able to fund fewer projects.

**Christine May:** Something occurred to me as Murdo Fraser asked that question; it had also come into my mind earlier. Many of the projects that you fund, and which the lottery funds, are partnership projects involving European funding and other funds. Have you made any assessment of the possible impact on your applications of a decline in European funding? I should probably have asked the previous panel of witnesses the same question, so you might want to answer for them too.

**Colin McLean:** I do not think that I could answer for them.

We have noticed a trend in recent years, as one or two of the European programmes come to an end, of there being a bit of a rush to spend the money in the latter stages of such programmes. That has increased the pressure on us to provide grants for projects that have European funding. We have not yet experienced a situation in which the European funding is shrinking, but we predict that that will lead to a higher percentage of requests coming to us, which will inevitably complicate the problem.

**Christine May:** Perhaps the Big Lottery Fund witnesses could give us a written response to that question.

**The Convener:** We will ask them to do that. I see the witnesses nodding in agreement.

Page 5 of your submission states:

"Olympic bid: impact on funding stream

A London Olympics is an exciting prospect and would be good news not just for sport, but for culture and tourism, and not just in London, but across the UK."

Where is your evidence for that?

**Colin McLean:** The London Olympics will be accompanied by a cultural festival, not just in London but in other parts of the UK, and we are fully committed to being a supporter of the Olympics in that sense. The programme has not happened yet, so we do not have hard evidence for how successful it will be, but we expect to be able to fund heritage projects around the cultural festival that will accompany the Olympics.

**The Convener:** Can you give us examples of what might happen in Scotland as a result of that?

**Colin McLean:** I cannot give you that answer now, but I would be happy to get back to you.

**The Convener:** In other words, there is no evidence that a London Olympics would be beneficial across the UK. It is wishful thinking.

**Colin McLean:** There is an optimistic view that the festival will spread across the UK.

**The Convener:** I would think that that is a very optimistic view.

The next paragraph of your submission states:

"The Government has also announced that £750m would be found from existing Lottery sources, of which £340m was to be provided by sport Lottery distributors."

If £340 million of the £750 million is to be found by sport lottery distributors, by definition that means that £410 million will have to be found by others. The HLF accounts for just under 17 per cent of all the funding, so the UK heritage share of that would be about £68 million. Your share of the UK heritage funding is traditionally just over 11 per cent, which means that the cost to Scotland's heritage funding will be about £7 million. Is that correct?

**Colin McLean:** Accruing from the Olympics bid, if it is successful.

**The Convener:** The contribution to the Olympic bid from your funds will, in effect, be £7 million.

**Colin McLean:** Yes. In percentage terms, our loss will be of that order.

**The Convener:** I would like to tie that back to the first statement about the Olympics being a wonderful exercise for heritage in Scotland. Would it be £7 million-worth, and do you think that the grant recipients would agree with you?

**Colin McLean:** I cannot answer that.

**The Convener:** You agree, however, that the cost to Scottish heritage funding would be £7 million or thereabouts.

**Colin McLean:** We do not spend a fixed proportion of HLF's UK budget, therefore it could be more or less than that in any individual year.

**The Convener:** But £7 million would be a reasonable assumption.

**Colin McLean:** It is a not unreasonable average.

**The Convener:** Okay.

**Joshua Peck:** That extra portion of the Olympic funding would also be for post-2009. We do not, as yet, have any certainty about what our share of the lottery income will be post-2009, so that adjustment would come then. It is impossible for us to calculate exactly what the impact would be, because we do not know how much money we would have in the first place.

**The Convener:** Given current projections, is it reasonable to assume that?

**Joshua Peck:** Yes.

**The Convener:** Fine. I think that that answers all our questions. I thank the witnesses for their extremely helpful evidence.

## Business in the Parliament 2005

15:09

**The Convener:** Agenda item 2 is consideration of an update paper on the organisation of the business in the Parliament conference 2005. Members may remember that we had a previous update and discussion on the conference, as a result of which, I hope, some progress has been made. I hope that members will agree that the committee's views on how the agenda for the event should be structured have been taken into consideration. I have asked for a regular update on progress, because I want to be sure that the committee is satisfied that things are moving in the right direction.

I think that Susan Deacon is looking to comment.

**Susan Deacon:** I merely twitched and smiled simultaneously.

Remembering that a camel is a horse designed by a committee, I think that it would be dangerous for us to continue to delve into the detail of the event at this stage. I appreciate the convener's having arranged for us to receive a regular update, but I believe that we should resist the temptation to revisit much of what we discussed before.

That said, frankly, I want to see matters moving forward. I appreciate all the work that has been done in discussing our concerns and providing a further paper, but the arrangements seem to be teetering along terribly slowly. According to paragraph 7 of the clerk's paper—paper EC/S2/05/08/6—things are only at the stage of

"Planning of tender for the appointment of external event managers."

This far out from the event, we should not still be dealing with the tendering process. We should be getting the event out to the event managers who, frankly, should be allowed to get on with organising it.

On the details, I have all sorts of thoughts but I will break my rule in one respect. I refer members to the unnumbered paragraphs on page 2, from the second bullet point on that page to halfway down page 3. I wonder about the level of detail about who will invite whom to what. The paper suggests that the First Minister will invite the chief executives of the big six companies that have headquarters in Scotland and that MSPs will each invite a local businessperson. My anxiety is about whether that will put together the desired range and balance of Scottish businesses. It seems that we will now go to the two extremes instead of having a host of people from in-between. Again, I think that professional events managers could

deal with that stuff as part of the marketing and promotion of the event.

I will now return to my earlier self-denying ordinance, which I failed to fulfil.

**Christine May:** I am in agreement with Susan Deacon. It was probably wrong to invite only one half of the equation—the half that comprises the Parliament and the Executive—to determine what businesses might like to talk about, because it is inevitable that the internal viewpoint will be reflected in the external document. Neither side may get what it wants out of the event. If it is not too late, I suggest that we get professional external independent advice on how to organise the event.

**The Convener:** I understand that the event organisers will be concerned purely with the mechanics of the event, such as sending out invitations to those whom they are told to invite. However, perhaps we need people with a wider professional remit. We should perhaps recommend to the team that is working on the event that they should think about having one contract for the physical organisation of the event and another for the provision of advice from an appropriate body on how the event should be put together. If all that can be rolled into one contract, that will be all the better.

One reason why I circulated the paper is precisely because those points needed to be highlighted. We need a bit more imagination in the organisation of the event, on issues such as who participates and what the event is trying to achieve. We have made some progress in comparison with what we had before, but I totally agree with the points that Christine May and Susan Deacon have made.

**Mike Pringle (Edinburgh South) (LD):** My only observation is that, although we have managed to get seven ministers to commit themselves to attend the event, we seem not to have identified anybody from the business community as yet. I would have thought that people from the business community are just as busy as ministers. Most of them will already be thinking about what they are doing in the autumn. If we want to get dates in those people's diaries, they should have been invited already.

**The Convener:** The people from the business community who participated in the previous event have already been notified and I think that some other potential key players have also been notified. To be fair, the team that is organising the event has not slackened on that side of things.

**Susan Deacon:** I apologise for returning to the issue, but I promise that this is an overarching point. I am still concerned—I remember going on about this in the earlier discussion—that the



fundamental point about the aims and objectives, or outcomes, of the event is unclear. We have a huge amount of detail about the input and about how people will be asked which topics they want to flag up for discussion, but we have little on the outcomes that people want from the event. Those are two very different things. I am still not sure that that point has been grasped.

**The Convener:** That reinforces the point that we need some expertise not only in organising the mechanics of the event, but in pulling it together. That is the main thing that we will ask Stephen Imrie to take back to the working party of officials. I intend to update the committee on progress from time to time, because I believe that it is important that the committee is clear what progress is being made. If members have specific suggestions, they can feed them into the process via Stephen Imrie. The more practical suggestions that we have, the better it will be.

Today's meeting has been fairly short because we completed consideration of the Further and Higher Education (Scotland) Bill much earlier in the month than had been expected. That means that members have a week off next week.

**Mike Pringle:** Do we have no committee meeting next week?

**The Convener:** Our next meeting will be on 12 April. I hope that everybody has a thoroughly enjoyable Easter recess. Thank you.

*Meeting closed at 15:16.*



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