The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 25 September 2013

Session 4

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FINANCE COMMITTEE
23rd Meeting 2013, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)
*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)
*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)
*Michael McMahon (Uddingston and Bellshill) (Lab)
*Jean Urquhart (Highlands and Islands) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kim Atkinson (Scottish Sports Association)
Amanda Coulthard (West Dunbartonshire Council)
Gemma Diamond (Audit Scotland)
Caroline Gardner (Auditor General for Scotland)
Amanda Roe (Aberdeenshire Council)
Derek Shewan (Scottish Building Federation)
Shona Smith (Scottish Borders Council)
David Stewart (Scottish Federation of Housing Associations)
Mark Taylor (Audit Scotland)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 6

Scottish Parliament

Finance Committee

Wednesday 25 September 2013

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Kenneth Gibson): Good morning and welcome to the 23rd meeting in 2013 of the Finance Committee. I remind everyone who is present to turn off any mobile phones, tablet PCs and other electronic devices. The first item on our agenda is a decision on whether to take item 4 in private. Are we agreed?

Members *indicated agreement.*

Draft Budget Scrutiny 2014-15

10:00

The Convener: Under item 2, we begin our oral evidence sessions for the committee's scrutiny of the draft budget for 2014-15. I welcome Kim Atkinson of the Scottish Sports Association; Amanda Coulthard of West Dunbartonshire Council; Amanda Roe of Aberdeenshire Council; Derek Shewan of the Robertson Construction Group, who is representing the Scottish Building Federation; Shona Smith of Scottish Borders Council; and David Stewart of the Scottish Federation of Housing Associations.

We are in a round-table format, so there will be no opening statements. If anyone wishes to speak, they should indicate that to me or the clerk. The session is intended to be a fluid discussion, so please feel free to contribute at any point. There is no Buggins's turn, and I do not intend to go round everyone one by one. You may want to contribute once or twice, or you may want to contribute half a dozen times or more. Feel free to do so.

I will structure the discussion around the questions in the committee's call for evidence and begin by asking for views on the progress that has been made by the Scottish Government in meeting its targets as set out in the national performance framework. Kim Atkinson's in-depth written submission is very interesting. It states:

"It is reassuring to note that the National Indicator for increasing physical activity is identified as related"

to the outcome of "We live longer, healthier lives".

It continues:

"However, the benefits of people participating in sport and physical activity are not recognised as factors in delivering this Outcome, nor is the inactivity of the nation recognised as a main challenge to this."

The SSA recognises

"that achievement of this Outcome requires 'work across all areas of Government'".

The indication is that sport should be at the heart of everything. I wonder whether Kim Atkinson can talk us through that. We can also discuss how the Scottish Government is meeting its target, as set out in the performance framework, from the SSA's perspective and the perspectives of others around the table.

Kim Atkinson (Scottish Sports Association): I very much appreciate being here and thank the committee for the opportunity. We are coming at it from a sport and physical activity angle. We are the representative body of the governing bodies of all the different sports in Scotland, representing the 52 governing bodies that represent 13,000

sports clubs. A fifth of the population are members of a sports club, so we represent a pretty significant number of people.

One of the Government's strategic objectives is a Scotland that is healthier, and a key national outcome is people living longer, healthier lives. That sounds like a super aim that we can all support. If you speak to Sir Harry Burns, the chief medical officer for Scotland, he will tell you that the key indicator—more so than any other indicator—of how long people in this country will live is how physically active they are. Therefore, there is an aspect of mismatch if the key indicator for the healthier Scotland objective is people living longer, healthier lives and our chief medical officer is telling us that the key indicator is how physically active people are. The recommendation is that the indicator of increasing physical activity should be given a little more prominence across the 14 other related indicators in which we believe there is a strong correlation.

We need to think about physical activity in its broadest sense. There is a dose-response relationship between how physically active somebody is and the health indicators and benefits that they get from that. If you talk to Sir Harry Burns, he will tell you that there is a spectrum between physical activity and sport. The more physically active we are—the more of us who participate in sport and get our heart rates going—the greater will be the health benefits from that activity. We need to look at what that means for that indicator in terms of people being even more active and the settings in which people can participate in sport.

As I said, there are 13,000 sports clubs in Scotland, and people who participate in a sport through a club participate for longer and more frequently than people who participate in other settings. Added to that, there are mental health benefits that come through meeting different people, as well as intergenerational connections and a different sense of community. Volunteering is also a key aspect, because evidence shows that people who volunteer live healthier and happier lives.

In general, we feel that sport and physical activity could be given more weight in the indicator. I think that that is where the cross-budget approach would work. We demonstrated in our written evidence how the prevention agenda could impact strongly on the areas of education, justice, community and a number of others and provide a basis to build on.

The Convener: We obviously have a fixed budget here and the committee is wearied every year by endless bids from specific sectors for additional money, without their giving a corresponding indication of where that should come from. However, you have indicated that savings could be made from the health budget to support what you propose. Is that your view?

Kim Atkinson: The health budget is always a difficult one. I appreciate that there are health budgets and health improvement budgets. Our written submission refers to the cost of obesity, which is £175 million a year. We can add to that the costs of the consequences of obesity in terms of hip fractures, diabetes, premature mortality and mental health. Obesity has obvious financial costs, but we cannot forget its human cost. As our submission indicates, 2,447 people die every year in Scotland simply from being physically inactive. I will repeat that figure: 2,447. I am staggered by that figure for what is one of the world's developed nations.

Scotland's physical activity strategy states that if we were all 1 per cent more physically active, we would save 157 lives a year and £85 million for the economy. I am sure that focusing on the prevention theme would not cost £85 million, but I do not know how we can quantify financially saving 157 lives a year. There are clear opportunities in that regard.

When we think about the prevention agenda for sport, we must not forget that 90 per cent of investment in sport in Scotland is made through local authorities, which is a massive spend. What does that mean for single outcome agreements or community planning, given that physical activity is not even one of the focused targets in the health indicators? It is in there, but it is not one of the focused targets. However, 90 per cent of where we could invest goes through local authorities. The question is how we can be a bit smarter about prevention.

John Mason was at last week's meeting of the cross-party group in the Scottish Parliament on sport, and I am sure that he will remember the interesting discussion there. There was a feeling of synergy around the active travel lobby's proposal that 10 per cent of the transport budget could be spent on active travel. An interesting question was posed—I think that John Mason would agree that that is the fairest way of phrasing it—about what a similar ambition for the health of people in this country would look like if a proportion of the health budget was invested in sport and physical activity. No statement emerged, and there was no direct answer to the question but the possible opportunities were highlighted. We could use them to make the radical shift towards prevention that Campbell Christie called for.

The prevention agenda could feature much more strongly in the Government's overall purpose for health and be bulked up. Our argument is that sport and physical activity could be a key part of that. That is a reflection of some of the discussion

in the cross-party group, in which John Mason was a key participant.

The Convener: Coincidentally, John has asked to speak next.

John Mason (Glasgow Shettleston) (SNP): My comment was not going to be totally about what Kim Atkinson just discussed, but I will follow on from that. The question of the indicators in relation to sport was raised, but I am also interested in what Mr Shewan's submission said about the indicators. For example, the paper refers to the indicator on increasing the number of businesses in Scotland. When that indicator was set, I think that we would all have agreed that it was a good one because we want more businesses. However, if I understand it correctly, you are saying that there are bigger businesses and smaller businesses—there are different kinds of business. You make a similar point about modern apprenticeships, in which you say that there is a range of quality.

We could change indicators every year, but that would not work either, because we would get no consistency. How do we get the balance right between keeping consistency and being adaptable?

Derek Shewan (Scottish Building Federation): As you rightly say, there are two elements. The Scottish construction industry consists of a wide range of businesses, from one-man businesses to multimillion-pound businesses. The construction industry in particular has lost a large number of businesses over the past four or five years—655 businesses went into liquidation in that period. Those businesses will never be recovered, which gives us considerable concern going forward. As our industry improves, as we hope it will, we will struggle to address how to cope with that and with how we measure the benefits that come back into the industry.

We get a confused message in that the Government, as I perceive it, puts house building and construction under the one umbrella although they are two different elements of the industry. House builders are specific to house building. Seldom do construction companies build houses. They have the same elements—such as building work and joinery work—but there are two different facets to the industry. In the construction industry, we feel that we lack recognition. All that we hear about is how house building is helping the construction industry. It is helping to a certain extent, but there is no recognition of construction. There should be some sort of indicator that reflects the benefits that the budget brings to the construction industry, rather than just house building.

On the point about apprenticeships, traditional apprenticeships for joiners, bricklayers and such trades are very much on the decline, as far as the Scottish Building Apprenticeship and Training Council is concerned. We have lost something like 43 per cent of our apprenticeships over the past four years, so we have lost perhaps 1,000 apprentices from our industry and we find them extremely difficult to replace because our industry is in such a dire state that companies cannot afford to support young people coming through.

An apprenticeship lasts four years. It takes time, money and effort. We are finding that our mentors—the full tradesmen who support guys through their apprenticeships—now do not want to support them because it affects their earning capacity. That causes us a real concern.

Although we applaud what the Government is doing on getting young people back to work through modern apprenticeships, the quality apprenticeships—the traditional trade apprenticeships—are still really struggling to get people back into our industry and give them a grounding. That will become more and more of an issue. As our industry gets back into its perceived norm, we will not have the skills within it to deliver what we need to deliver. A major issue will hit us in the next five to 10 years due to the lack of young people coming through with the skills that we require.

John Mason: Do the indicators need tweaking or do they need a major revamp?

Derek Shewan: They do not need a major revamp but they need some tweaking to reflect a major change in where we are as a country and as an industry. We need to have a better appreciation and a greater acknowledgement of where business is now, compared with when the indicators were originally set. They need to reflect a changing market.

The Convener: The Scottish Federation of Housing Associations does not agree with the Scottish Building Federation that there is

"merit in developing additional national indicators to measure Scotland's performance in fostering the positive environment needed for the construction industry as a whole".

The SFHA has said in its submission:

"There is a strong argument for fewer indicators and targets expressed in a clearer manner."

David Stewart (Scottish Federation of Housing Associations): In our submission, we were trying to get across the point that, on the one hand, when trying to examine what investment in housing achieves, we find that there is an argument that investment in social housing has a benefit on each of the 16 national outcomes.

However, on the other hand, because those outcomes are general—understandably so, because they attempt to measure the benefits of investment in all sectors and areas that the Scottish Government funds—they may not be that helpful in measuring the real impacts of investment in social housing.

There are two national indicators that relate to housing, but they are really about providing access to affordable housing and advice for the most vulnerable—in essence, preventing homelessness or helping people who are homeless—and, secondly, measuring the number of units completed. Those are important indicators that need to be measured, but investment in affordable, quality housing achieves much more than that. For example, investment in improving the energy efficiency of housing would create benefits for members of the Scottish Building Federation. It would improve educational attainment by providing a warm, secure home for young people and it would have benefits for the health of the nation.

10:15

Similarly, investing in medical adaptations in social housing and in housing support would have impacts along the lines of the preventative spend that was promoted by the Christie commission, to which Kim Atkinson referred.

It is not that we feel that the indicators are wrong. We strongly believe that it is right to have a national framework to measure the impact of investment and to direct investment based on that. However, we feel that there is perhaps scope in social housing for refinement or further development of the indicators.

The Convener: You issued a press release today saying that you want an extra £21 million to be spent on energy efficiency, but you have not indicated where in the budget that money should come from.

David Stewart: I absolutely take the point that the committee could get sick of hearing interest groups and bodies say that they are looking for further investment without saying where the money would come from. On the other hand, it is not really right for a housing federation to tell Governments and politicians how to make spending decisions. By putting out that press release, we are saying that we believe that investment in energy efficiency is extremely important. It is a very positive thing that the Scottish Government continues to invest in home energy efficiency, because the United Kingdom Government does not. We absolutely acknowledge that.

However, the Scottish Government has set tough climate change targets and still has a target to end fuel poverty, if practically possible, by 2016. What we are really saying is that in order to achieve those ambitions, investment in energy efficiency needs to be increased.

John Mason: One of my local housing associations said that we should put £50 million more into housing and/or the bedroom tax and take it out of the culture budget. Would you go along with that?

David Stewart: I would not. As I said, we can make a case for the social, health and economic benefits of investing in housing. A recent report from Audit Scotland identified challenges faced by the housing sector and the fact that the demand for social housing continues to outstrip supply.

It is perhaps for us to make a case for the benefits of investing in housing, and the need to invest; it is less for us to tell politicians and the Government where to take that investment from.

The Convener: To be honest, that is something of a cop-out. Housing is going up £158.4 million and if people are not happy with the Scottish Government's choices, they should say what the different choices are. One of the things that impressed me so much about Kim Atkinson's submission is that it said, "You should reduce money in that area in order to spend it in this one."

Last year, Age Scotland came to us and said, "We want more money for adaptations." When we asked how that should be funded, it said that we should change the age at which concessionary fares are awarded from 60 to 65, which is a pretty controversial thing for an age charity to say. The cabinet secretary did not make that change, but he increased the adaptations budget by 25 per cent.

People have to come here with the courage of their convictions and tell us where, in a fixed or declining budget, money should come from in order to fund what they wish to see funded. Otherwise, we end up with a situation in which every organisation that comes to us believes that their sector should have additional funding and we are not really any further forward.

David Stewart: We appreciate that the budget has been increased, but it is important to remember that that follows on from the 29 per cent cut in the capital budget for social housing that took place between 2008-09 and 2011-12. I appreciate that we are in constrained financial times and it is great that that good increase has come in, but to an extent it is more of a restoration to close to where we were five or so years ago.

On where the money should come from, this is not part of the Scottish budget per se, but the SFHA and others have been campaigning for

European structural funds to be ring fenced and used for investment in energy efficiency and social housing. An excellent programme in Wales that is run by our sister federation has used European structural funds to invest in energy efficiency and renewables and it has done a lot to create jobs and apprenticeships, cut carbon emissions and help to lift some of the poorest people out of fuel poverty. We continue to recommend that as a source of funding.

The Convener: I think that we all appreciate that there has been a reduction in housing funding, but there was a 26.9 per cent cut in the Scottish Parliament's capital budget, so it was inevitable that reductions would happen somewhere.

I call Gavin Brown, to be followed by Jamie Hepburn.

Gavin Brown (Lothian) (Con): Am I allowed to return to sport, convener?

The Convener: Of course you can.

Gavin Brown: Thank you. I was just checking.

I direct my remarks partly in Kim Atkinson's direction, but I do not expect—nor will I be very impressed if I get—immediate answers. My question is just something to reflect upon. Clearly, this debate is not all about funding, but funding is fundamental and we cannot get away from it. As a member of the committee and a finance spokesperson, I find it difficult to work out the total funding from government in Scotland—I mean central Government, local authorities and so on. How much do we invest in sport, as a country?

It is easy to look at the budget line for sport in the budget document and think, "Great—that's the line for sport," but there are contributions from local authorities, from the health budget and, as you pointed out, from the justice budget via cashback for communities. I find it difficult to get a handle on the baseline sport budget, how it compares with those of other countries and what the direction of travel is. We can look at one line and get an impression of where we are, but because of the way in which the budget is packaged, I find it difficult to find out what the total sport budget is. I do not know whether you have considered that or done any work on it.

Kim Atkinson: That is a fair point. As you will have seen, the sport budget for this year is £36.5 million in real terms. If we package all the funding together it looks pretty big, but £161.2 million is for the Commonwealth games. When we read the line for sport and add all the figures together, it looks like there has been a significant increase in investment in the past 10 years, but we need to recognise that a huge amount of that has been for the Commonwealth games. Do not get me wrong—that is welcome, but the Commonwealth games are also bringing a host of other benefits that relate to housing and a number of other important areas.

In broad terms, the sport budget has remained fairly static. The £36.5 million of Scottish Government investment is primarily into sportscotland, as I understand it. The 90 per cent that is spent through local authorities comes via a different budget line and, as you say, there is money from health and other budgets.

That poses a fascinating question. We have made some statements about working more closely with health, but I want to be clear that we have no intention of trying to raid health budgets; it is about working in partnership. There are some challenges in that.

There are successful partnerships out there that have been demonstrated as pilots—the jogscotland programme is a good example of which I hope most colleagues have heard. It has been going for 10 years through our partners at Scottish Athletics, and it is a programme to try to get people running. It starts with getting people walking, so it is a good example of the continuum that I mentioned earlier between physical activity and sport. The programme is done in groups and it is run by voluntary leaders, so there are a lot of different aspects around some of the social capital that I know Sir Harry Burns would talk about. Despite the fact that that programme has been running for 10 years, it is still funded on an annual basis, and we are not seeing the shift to prevention. We have a pilot that works, so we should be asking how we can change that situation. Our proposal is that we look at who benefits.

Most of the benefits that are quoted to us are health benefits. I completely understand and support them, and let us not forget the significant mental health benefits—I know that our partners at SAMH would agree about those. However, there are other benefits to consider. Gavin Brown mentioned cashback models—we cited as an example in our submission the work that has been done with the cashback for communities investment in rugby. There are incredibly strong results from that rugby programme through work in schools around behaviour, attainment and increased attendance. Justice money is being invested and it is providing results in education. In the case studies in our submission, there are demonstrations of benefits in health, but there are also demonstrations of benefits in education and in justice; the sports pot is funding quite a lot of that.

Do not get me wrong: those are small examples of justice money from cashback and small examples of health money, but ultimately the

argument is that the key people who will benefit if more people take part in sport are not sport people. Yes, we will benefit; we will be delighted that more people are involved in sport and, I hope, having fun. Let us not lose sight of the essence of people's participation in sport, which is—we hope——that it is fun. Ultimately, however, if the key beneficiaries are not just health, but justice and education, a £36.5 million budget is trying to fund much bigger budgets to provide support. We pose a fundamental question on that point in our submission. Ultimately, it is about having the courage and the conviction that the convener mentioned earlier, and it is about saying that that is how we see it.

Yes, we could get benefits tomorrow—fingers crossed, we will—in relation to mental health, and I know that some of our colleagues at SAMH are working on that. However, the big gains in health are longer term, so it is about looking beyond one parliamentary and governmental cycle. It is about the longer-term benefits. If we want people to be living healthier and longer lives, that is not going to happen tomorrow—it is a culture change that we must consider while having conviction.

As David Stewart said, it is not necessarily always about the money. It also about prioritisation of where that money goes. Part of our reflection on the Scottish Government's national performance framework is on prioritisation of budgets. Has the national indicator for physical activity been prioritised as we want it to be? No. We think that there is an argument for that indicator to be more highly prioritised within the NPF. In relation to Gavin Brown's budget question, if the national indicator for physical activity were to be prioritised more highly by the Scottish Government in the NPF, that could impact on local authorities, which spend 90 per cent of the sport budget. I hope that local authorities would say, "If physical activity is a key indicator, perhaps we can do something that adds value." It could create a different kind of opportunity.

Obviously, local authorities are the big pot holders in relation to the budget pot. Do not get me wrong—I am not saying that local authorities do not have pressures on their budgets, but there are partnerships to be gained by looking at a more sustainable approach in the longer term.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): I have a couple of questions about the national performance framework, for the local authorities. Scottish Borders Council says in its submission:

"Where possible, it would be helpful if the data used to measure national performance was consistent with the data that we can use at a local authority level."

It gives the example of

"differences in the way that we are asked to look at the life circumstances of children".

Are there other examples and what are the practical effects of those differences?

West Dunbartonshire Council suggests in its submission:

"Given the focus nationally on prevention and early intervention at all levels"—

which is obviously something that we are very keen to see happening—

"it may be helpful and set a more positive tone if the national framework reflected this focus."

Could Shona Smith and Amanda Coulthard comment on those points, from their respective submissions?

Shona Smith (Scottish Borders Council): First, Scottish Borders Council has been very supportive of the national performance framework and has used it extensively in this past year in developing our single outcome agreement, along with a local strategic assessment. However, we found that some of the Scotland performs indicators and some of the SOA indicators were giving us different values.

For example, on child deprivation, the Scotland performs figure comes out at about 8.2 per cent for Scottish Borders Council whereas the local one from the SOA menu comes out at 17 per cent. There are differences in how child deprivation is measured. It is an issue; when we are developing the SOA and considering which figure to use, we are going to use the local data. However, we also look at the correlation—the trends. We are looking for consistency across the indicators so that we are talking about the same figures.

The other point that we would pick up on is child healthy weight: there is a clinical measure and there is a population percentile figure. One is on a three-year rolling average and the other is on a two-year rolling average so, again, when we talk with our health colleagues—because one of our main outcomes is to reduce inequalities—we find that we are talking about different indicators, different figures and different targets.

We are very supportive of the framework, but we are looking for some refinements and tweaks and alignment of the SOA development to the NPF.

Jamie Hepburn: How do you propose that that be undertaken?

Shona Smith: At local level, we have a joint delivery team and a strategic board that all community planning partners sit on, so we will sit down with health representatives and decide at that point which set of figures we will use for community planning purposes.

10:30

Jamie Hepburn: In the example that you gave, there was a wide disparity between the two measures of child deprivation. There should be consistency of assessment in the figures, so how do you achieve that? I thought that that was your fundamental point.

Shona Smith: We will use the local figure of 17 per cent—

Jamie Hepburn: Where does the local figure come from?

Shona Smith: The local figure comes from Scottish national statistics, which come through the Department for Work and Pensions. That provides another indicator or measurement at local level.

Jamie Hepburn: The first child deprivation figure that you gave was 8 per cent. Does that apply across the country or to your area?

Shona Smith: That figure is for our area.

Jamie Hepburn: You have said that you will use a particular figure. Would it be better if there was just one figure?

Shona Smith: It would, but that is not what we are working with this year, so we have taken the local figure.

Jamie Hepburn: Your suggestion is that it would be better if there was one figure.

Shona Smith: Yes.

Jamie Hepburn: How would we achieve that?

Shona Smith: You need to decide whether the local outcome under the SOA is the measurement that we should use at local authority level.

The Convener: My concern is that it will be difficult for the national performance indicators to provide any kind of meaningful assessment if the 32 local authorities—and potentially the health boards, as well—all use different measures. Surely it would be better if everyone worked to the same all-Scotland figures.

Shona Smith: Yes. I would question how we developed the SOA figure.

Jamie Hepburn: Amanda Coulthard's submission also commented that it would be good if the focus on early intervention was better reflected in the national performance framework. Why would that be a good thing?

Amanda Coulthard (West Dunbartonshire Council): As has been pointed out already this morning, often there are so many different indicators and priorities that it can be difficult for everyone around the table to agree on what we are trying to achieve and how we work collaboratively towards that. It would be better if the national performance framework were to focus on the key deliverable outcomes for the entire area across all the partners in delivery.

We all agree that we need to focus on prevention and early intervention if we are to change the poor outcomes that affect the majority of the population, particularly in West Dunbartonshire. If we are all to understand what we are trying to achieve, we need some space around the focus on prevention and early intervention to encourage people to look at what we do just now and at what we need to do differently to achieve the desired outcomes.

Another issue is how we show that we are making a difference and how we assign budgets based on the things that we want to do differently. What happens just now is very much about what each agency brings to the table and how that relates to their own priorities, rather than what we all do collectively and how we develop a new focus. As our submission points out, the change funds for older people and for early years focus on doing things differently. We are asking that the national performance framework also focus on doing things differently across all the priorities, rather than just for the outcomes for older people and early years.

To pick up on Shona Smith's point about how we use data, for me one of the biggest challenges in pulling together performance information and profiles is that we can use a number of different indicators depending on what story we want to tell. If we want to create a positive picture, we use the national figure for child deprivation, because that makes things look better than they are. If we want everyone to focus on the issue and think about how we spend money and gain more investment, we would use the 17 per cent figure, because that focuses the mind on what we need to do.

For me, the issue is more about how the different data sets are pulled together. The menu of local outcome indicators that is used for the single outcome agreement is pulled together by the Government's community planning team, which does not use the indicators in the national performance framework. It would make much more sense if everything flowed from the framework and just became more localised as we went down to what is being delivered. Having the option of pulling from different sources makes it easy either to pay too much attention to an indicator or to mask just how bad performance is.

The Convener: That is very helpful.

Kim Atkinson talked about enjoyment of sport through participation. After last night's Celtic match, I am sure that Michael McMahon would

agree that participating in sport is probably more pleasurable than watching it.

Michael McMahon (Uddingston and Bellshill) (Lab): I enjoyed a very good football match last night, convener. Obviously, you were not there; if you had been, you would have said that it was a very exciting game. That is what it is about, and that is why we love the sport.

The Convener: Indeed. Who cares about the result?

Michael McMahon: Fortunately, my question is on the same issue, but I will use Aberdeenshire Council's submission as my reference point. We posed questions about the progress that the Scottish Government is making in meeting the national outcomes and whether the national indicators are effective as a means of measuring the performance of the Government. Aberdeenshire Council pointed out that the

"key national indicators supporting economic growth, sustainability and health ... are demonstrating maintained rather than improving performance"

and that the indicators and targets that are currently in place

"do not adequately demonstrate the public sector reform agenda."

It also said:

"It is not evident the priorities set out as part of the Ministerial Review of Community Planning are reflected in the NPF".

I want to test that a bit.

It is clear that, when we look at the budget and whether it will meet what is in the NPF, we need to know that what is being measured and the outcomes that are being pursued will be reflected in the budget. It would be useful to know where the budget sits in relation to that, from your perspective.

Amanda Roe (Aberdeenshire Council): I cannot speak about financial matters and budgetary discussions because I am a performance person, so I will speak about the performance framework. I will start with the last question.

We reflected that the ministerial review of community planning partnerships and the priorities that came out of that do not appear to be explicitly reflected in the national performance framework. That is not to say that the outcomes that are stated in the review of community planning partnerships are not within the national performance framework, but if we go in via the national performance framework, it is not clear that the single outcome agreement on community planning partnerships underpins delivery of those outcomes. That is clear if we go in through community planning, but not if we go in from any other direction. I do not think that the residents and communities out there will appreciate that a lot of the work that the partners in community planning partnerships do is to deliver what the Scottish Government has said are the national outcomes that we want for Scotland.

As in the discussions that Amanda Coulthard and Shona Smith mentioned, we seek more consistency between the national performance framework and the indicators that we use in other places. For example, there are the statutory performance indicators that are used in Audit Scotland and the local indicators menu set that came out of, I think, the Improvement Service. We would like to see them being more tied together in the national performance framework, because that would allow community planning partnerships and the 32 local authorities to evidence more clearly how they are supporting delivery of the national outcomes while meeting local priority outcomes.

On the national outcomes on which we in Aberdeenshire Council have suggested that performance is perhaps being just maintained or even declining, the indicators and their direction of travel were looked at and an assumption was made, because I could not find evidence anywhere of what weightings are put on the different indicators. Every indicator in the national performance framework appears to have equal weighting. That might be correct and a good thing, but it means that it is very difficult to show that certain key priorities and outcomes that are being delivered are driving the outcomes further forward. It also makes it difficult to show that our not meeting, to the same extent, other indicators that are still important would not cool performance down, which would suggest to communities that we are not delivering on some key outcomes. On that basis, our saying that each indicator has equal weighting makes it look like performance is stalling. Sometimes we need to get into the narrative more in order to discover that performance is not, perhaps, what is suggested by the framework.

John Mason: Paragraph 7 of West Dunbartonshire Council's submission says:

"There appears, at times, to be some inconsistent messages from different divisions within Government".

Paragraph 12 of that submission brings up the issue of preventative spend, in which we are very interested. Is there, or can there be, broad agreement on what preventative spending is? Can it be measured, or is that simply impossible? In the end, is all spending preventative spending?

Amanda Coulthard: My experience to date suggests that there cannot be agreement on what preventative spending is. It has been very difficult

to get, around partnership tables, a common understanding of what prevention is. Everyone approaches the idea differently, depending on the service that they are delivering and how close to sharp-end service they are.

With a bit of work nationally and locally, we could come up with a strong definition of preventative activity, although I think that everything we do across all public sector agencies, voluntary organisations and the private sector can be preventative. We have many opportunities to interact with individuals and to change the direction of the services that they receive and the potential outcomes from their experiences.

It is about making sure that we take every opportunity and use every point of contact to give a preventative message. That could be when someone comes along for a general practitioner appointment; there might be a list of areas for discussion that the GP can use to start a conversation about what the person might do differently and the outcomes that they want to achieve for themselves. It could be about very basic things, such as interaction with universal services and how people feel about the contact that they have with people who are emptying the bins through the day, whether they have a relationship with and understand the valuable service that is delivered through our environmental services in local government, how that relates to the environment in which they live and how they feel about it.

There are therefore lots of opportunities for us to focus more on prevention than we do at the moment. The biggest challenge that we face, particularly in local government, is how to free up the resources that would allow us to have those conversations. Everyone is feeling the pressure of reduced budgets nationally, but if we want to focus on prevention, we need to rethink how we align our budgets so that we can do that at national and local levels. We are all having that discussion just now, but I do not think that anyone has found the answer yet.

John Mason: Your answer to that question was good because it was frank, but there is no way that we could control whether a visit to a GP, which lasts only 10 minutes, is split between reactive and preventative discussion. Are we talking more about changing attitudes rather than measuring everything?

Amanda Coulthard: Absolutely. We need a complete culture change in how we interact with services, individuals and one another. That is very much about the focus on how we change people's lives and about professionals from across the spectrum thinking differently about how they use the time that they have with individuals and what they want to focus on. I do not think that we can capture everything, but we can set a general direction for all services to work towards, which would be helpful.

John Mason: Do the representatives from the other two councils agree?

Shona Smith: One exercise that we did when developing our SOA this year was to develop a prevention plan. The guidance on that is quite loose, and Scottish Borders Council struggled to pull the prevention plan together. However, we submitted it with our SOA and received feedback from the quality assurance team, and it has given us a much sharper focus.

We will discuss between now and Christmas what prevention means for our community planning partnership, because we had very different ideas about that when we brought the prevention plan together. If anything, the exercise gave us a much sharper focus on the questions that we need to discuss among ourselves, so it was very useful.

Amanda Roe: We agree that we are talking about a mindset change. That is difficult to measure, but it will mean a culture change. In the discussions in our community planning partnership and our council, we say that prevention must be at the heart of everything that we do. It is not separate and we cannot talk about some bits being prevention and some being everything else that we do. We have to move towards saying that the starting point for everything that we do should be how it can be about prevention and how delivering something can prevent something from happening in the future.

The Convener: How would you change the national performance framework to better reflect a preventative approach?

Amanda Roe: I certainly do not think that that can be done just by having an indicator. It is probably more like the approaches that we have taken to the improvement statements that councils are asked to produce on efficiency and public service improvement and some of the work that we have to do on climate change declarations and mainstreaming equalities reports.

The NPF needs more of a narrative, which we have to build in through our community planning partnerships, because that is where it sits. The fact that we now have to include prevention in our single outcome agreements is the right starting point, but perhaps we need some way of explicitly linking the national performance framework to the single outcome agreement on that.

10:45

Shona Smith: Scottish Borders Council's next prevention plan will have a much sharper focus, and we will start to think about the indicators that reflect the prevention spend. As this is the first time that we have included a prevention plan, it is at a certain level of maturity, and it is probably still too early to say how it can link up. However, we will certainly look at the issue over the next five years.

Amanda Coulthard: A focus on the outcomes that we want to deliver collaboratively under the strategic priorities in the NPF would help the focus on prevention. There should also be a tiered approach to our indicators. The NPF contains some strong high-level indicators about the direction of travel that we all want to keep and focus on, but it would be helpful if, underneath that, there were a level of indicators for what individual agencies can bring to the table and how we can work differently. That does not need to sit in the NPF, but we all need to know what those measures are and we have to work consistently across the 32 community planning partnerships and 32 local authorities to deliver them.

The NPF's current structure means that everything sits on one level and is equally weighted. If there were more of a focus on absolutely key measures and their importance and if there were another level of indicators that allowed us to flex slightly without having to change direction completely, we might be in a better position to focus on prevention and show what we are bringing to the table collectively to deliver a prevention agenda.

Kim Atkinson: The convener asked how we might change the national performance framework. I think that the overarching purpose could be tweaked. We understand why sustainable economic growth is a priority, but we have also suggested including terms such as "healthier", "life choices" and "reducing inequalities". We have discussed some of those issues this morning but, if we are trying to create a successful nation, they should be not only a fundamental focus but key aspects of fairness, equality and prevention. My high-level suggestion is that the terms that I have mentioned might, along with what our local authority colleagues have mentioned, add further weight to the purpose.

We have to strike a balance between prevention and spend. Some preventative spend models are based on the idea that, if we spend a bit of money here, we will save a bit of money there. I cannot argue with the view that we need to save money but, as I have said, we also have to prevent ill health and other such matters.

People cannot argue with the need to save lives. We can save a little money if we do this rather than that but, if we do this, that and the other, we can save not only an awful lot of money but people's lives, and we can make their lives better and make them healthier and happier. Call me an idealist, but I think that there are a number of principles on which the prevention agenda can be built. Much as we need to make tweaks and savings here and there, if we are looking for a genuinely radical approach, a couple of pennies here or there simply will not cut it. There is more that we can do.

In our submission, we make a number of suggestions about the change funds. I have to say that I do not know a huge amount about them—the feedback that we have had is that sport has not been hugely involved in the process—and I have heard colleagues mention the early years, which are another priority that we cannot argue with. However, on the 14 indicators to which we think that sport can contribute—particularly the indicators on educational attainment and a healthy weight—we argue that, if people are physically active from a young age, they will have the opportunity to be physically active for life. As that could be a tool for any number of prevention arguments, we have proposed the creation of a change fund for sport that, through some of that different work, could take a radical approach.

For example, one in two women and one in five men will suffer a hip fracture after the age of 50, and the financial burden of that is an annual £1.7 billion across the UK. All that we need to do is add up the figures. Do not get me wrong—this is a train of thought rather than evidence based on research—but people who participate in sport or are physically active often have better balance and are therefore probably less likely to fracture their hips. Moreover, someone who fractures their hip is more likely to spend time in hospital and might even require social care.

In considering the regeneration of social care, are we looking at some of its foundations or taking a longer-term view of prevention? I do not know what the research says—I am sure that some must exist—but the fingers of someone who bowls twice a week might be that bit more dexterous to allow them to do up their buttons or brush their teeth that little bit longer. Even if the longer-term impact is on social care, I hope that there will also be an impact on health. A change fund for sport could provide a really strong approach that would save not only lives but the money that our key partners are working towards trying to save.

Another issue is how we can be smarter in community planning, which has been touched on. I realise that that is an enormous challenge, but we are thinking about how we might put together

slightly different partnerships. As I said, there are 13,000 voluntary sports clubs in Scotland, but I do not think that there is huge interaction between sport and community planning. We would certainly welcome a smarter approach to that. How can we work more closely together? What contribution can our members—the governing bodies—make through their clubs?

We understand that high-level participation in sport is fairly static, but do not get me wrong—there have been changes in that. For example, Scottish Cycling has reported a 160 per cent increase in its membership since 2008. The increase has had nothing to do with the Olympics and the Paralympics—at least not in the first couple of years—but I am sure that they and the Commonwealth games will come through at some point. Legacy is what such groups do day in, day out in their attempts to get people more active, more often. We make a key link in that regard.

This is all about considering community sports clubs as an asset; the physical activity opportunities that they provide in communities impact on the targets, which are part of the local authority targets and are included in the national performance framework. We do not necessarily always see clubs in that way. If that huge community of interest—one fifth of our population—had such a voice and the opportunity to take a slightly different approach and engage more with community planning, we might be able to prioritise budgets slightly differently. Different opportunities emerge through engaging with partners in local authorities or in health services, but all that can be brought together in one package.

As ever, convener, I am an optimist, but I think that there are some opportunities.

The Convener: Indeed.

Jean Urquhart (Highlands and Islands) (Ind): I am quite interested in the localism aspect and particularly in how local authorities use the Scotland performs website, which I know covers everything that we have discussed. In relation to Kim Atkinson's comments, I have to say that I represent the Highlands and Islands and, as far as sports facilities are concerned, it is possible to have a bike, but it is quite difficult to get from A to B on it, because B is probably 80 miles away.

The Office for National Statistics produces fairly localised information about aspects of the issues that we are discussing—it goes down to the detail of hip replacements and so on. How much of that rather than the information on Scotland performs becomes the centre of local authority activity and work? Scotland performs has its critics—it is based on Virginia performs, which I believe is a super and informative site. How do you use it?

Shona Smith: I will tie my response to Kim Atkinson's point about change funds and give you a simple example of how we are using change fund money directly to tackle hip fractures. The fund is financing the reshaping care for older people policy in the Borders, and one of our projects under that is a fall prevention scheme. We and colleagues from fire and rescue, the health service and Police Scotland, registered social landlords and our sports facility managers have been meeting for the past six or seven months—in fact, we met only yesterday—to discuss how Borders residents can have a more active lifestyle. We tie that back to Scotland performs by stating the activity level of people in the Scottish Borders.

The Convener: I will let Amanda Coulthard respond to Jean Urquhart's question before I ask her my question, because I am going to change tack slightly.

Amanda Coulthard: Of the different data sources that are available to us, we tend to use Scottish neighbourhood statistics and Scottish index of multiple deprivation publications to take our information to neighbourhood level. Although we produce a lot of information to build a profile of the local authority as a whole, we are recognising more and more that people want to talk about the picture of their neighbourhood and not the local authority picture.

As a result, we tend to use more comprehensive data sources that go down to ward—or, in the case of the Scottish index of multiple deprivation, data zone—level to build a profile of a small community that we can start to have conversations about. For example, we ask people, "Does this look like the area you live in? Do you recognise it?" and, if people feel that the information is accurate, we can begin to prioritise on that basis. We link all that back to the higher-level national performance framework, but we use a number of data sources to have the conversations first.

The Convener: How much of the change funds is new money for the council?

Amanda Coulthard: Sadly, I am not the manager of the change funds, so I cannot give a lot of detail. From the discussions that we have had, I know that the investment in change fund activity is not new money; it is the same money spent differently.

We mention bridging finance in our submission. We view the change funds as providing bridging finance so that we can move from the way in which we work now to the way in which we have to work in the future. Our plans focus on how the funds can allow us to free up resources in the longer term to continue to fund the new activity that we have designed through both change funds. The money is not new, but it gives us an

opportunity to take a step back and think differently about how we spend the resource that we already have.

Amanda Roe: To respond to Jean Urquhart's query about how local authorities use Scotland performs, I think that most local authorities have a version of Scotland performs. We have Aberdeenshire performs and there is West Lothian performs.

Most local authorities have placed Scotland performs as one of the drivers in our strategic planning frameworks. We identify our priorities through our community planning partnerships and our single outcome agreements and we tie them back to the national outcomes. We add our localised element through things such as strategic assessments that use more localised data.

Whether in our council plan or our business plans—which are on a service level, so there are plans for infrastructure services, housing and social work, for example—we always try to have a line of sight back up that demonstrates that, by doing something locally and making it a local priority outcome for us, we are contributing to the delivery of a national outcome for Scotland.

The Convener: I will let Jean Urquhart in briefly, because I want to change tack.

Jean Urquhart: I just want to make the point, in the light of Kim Atkinson's enthusiasm for sport, which I do not share at all—

Kim Atkinson: Yet.

The Convener: No one has it to the extent that Kim does.

Jean Urquhart: I guess that this comes back to local authorities, but it is important to recognise that there are lots of routes to the outcomes that Kim Atkinson says that sports can deliver. On another day, we might have people before us from the creative arts, other community activities or social enterprises, and we know that people who volunteer actively in their community—not necessarily in the sports sector but in other aspects of community life—achieve the results that we are talking about: leading healthy lives, living longer, being more active and not being a drain on social services. It is important to record and recognise that. It is difficult to put a label on everything that is done, which can be very local. There are regional differences and different possibilities just because of where we live.

The Convener: I make that point when I try to persuade people to deliver more leaflets.

I will move on to the linkage between the performance information and spending priorities and any evidence of the impact of the NPF on spending decisions. I come back to Amanda Coulthard. Paragraph 14 of West Dunbartonshire Council's submission states:

> "Within the national framework it is difficult to evidence the link between the outcomes / objectives and the spending review / resource allocation decisions."

That is a key point for us and I want to take some time to discuss it. I hope that colleagues will come in on the back of that.

Amanda Coulthard: It is recognised that, in the public sector, we still budget in the way that we have budgeted for a number of years. We could not start with a blank sheet of paper and work out what we want to do and how best to spend the resource available to us to deliver that, so we work round the edges and make small incremental changes.

The point in our submission is more about how we step up the pace of change and make more significant changes in how we align our budgets. We are all keen to move to outcome-based budgeting, which is reflected in a lot of the discussion that we have had this morning about what we want to achieve and how we deliver that.

In West Dunbartonshire, we do not have outcome-based budgets at the moment. I do not think that any local authority has. We want to take the opportunity to have a discussion across Scotland about how we would best inform an outcome-based budget and what we would have to do to get there. We are keen to move in that direction and we make a plea for support to do that. We would be up for giving it a go, but we would need a lot of help to get us there.

11:00

The Convener: What help would you need?

Amanda Coulthard: There is work to do to understand how we align budgets now and what the musts are. What services do we in local government absolutely have to deliver, how do we deliver them in the most appropriate way and what resource is required to do that? After that, what is left and how do we assign that differently? Do we want to focus on a single priority?

It is recognised that, if we increase employment opportunities, that will have a knock-on effect on a number of health and wellbeing outcomes. Could we focus some of the money on addressing employment opportunities and a wide spectrum of related services in the knowledge that that would deliver the outcomes that we want in a number of service areas, instead of focusing on how we align a budget to each service area individually?

David Stewart: I wanted to come back to the point that I made earlier. As far as the investment in housing is concerned, there are only two national indicators, and what they really measure

is progress and success in helping homeless people to access services and housing, and the production of housing. A recent Audit Scotland report on housing suggested that there is a need to improve the reliability of information on the impacts of investment in housing, and to produce better-quality information.

We suggested in our submission that it would be possible to build on the work of the housing policy advisory group. That is a group led by senior civil servants with responsibility for housing and regeneration in the Scottish Government, who work with the chief executives and directors of housing bodies such as ours, the Chartered Institute of Housing and Homes for Scotland. The group has suggested four key areas that need to be measured to look at the impact of investment in housing:

"a well functioning housing system ... high quality sustainable homes ... homes that meet people's needs"

and

"sustainable communities".

We think that if the housing policy advisory group worked to develop those areas further, that could feed into the national performance framework, which would allow the Government to measure the impact of investment in housing better and to make decisions on how it wants to pursue its priorities.

The Convener: In paragraph 26 of your submission, you say:

"There is agreement on what housing providers need to make progress on, but a wide gulf between the perceived benefits of housing investment in achieving the national targets and outcomes and actually measuring progress."

In the previous paragraph, you talk about the impact on the NPF as being hard to measure.

David Stewart: As I think I said in my earlier comments, because the 16 national outcomes are quite broad one could, in a way, take any one of them and say that investment in social housing contributes to meeting those needs. For example, for the objective that

"we realise our full economic potential with more and better employment opportunities",

one could say that investing either in building new houses or in improving energy efficiency has a very high multiplier effect and produces jobs and training opportunities. On the other hand, I am not sure how easy it is to measure for each of those objectives what, let us say, a £5 million investment in this area achieved. That is why we suggested further development of the work by the housing policy advisory group.

Amanda Roe: We responded to this question on the basis of whether we could see at a national level how the performance framework impacted on spending. I am sure that if we dug deep enough into www.scotland.gov.uk, we could find that information, but the site is not that explicit.

Given that community planning partners are being asked to align their resources with the national community planning partnership outcomes and our local priority outcomes, it would be helpful, on going into the national performance framework, to get an indication of how it is impacting on the Government's spending decisions through that approach. I am by no means suggesting that we would want to go back to ring-fenced funding or anything like that, but it would be useful, when something is a spending priority, to get an indication of where it fits in with the national performance framework.

Kim Atkinson: The area that Jean Urquhart represents provides some of the best outdoor adventure activity opportunities in the world—sport is really big up there, which is great.

The point that Amanda Coulthard made, which David Stewart has also made strongly, is to do with the fact that investment in one area provides outcomes across a range of the performance indicators, which means that we face a challenge in how we measure some of that. Jean Urquhart made a strong point about the activities of some of our colleagues in the voluntary sector, which we whole-heartedly support. It was about those volunteering activities that are a vehicle, for want of a better term. Some people participate in sport because they want to have fun and because they enjoy it but, for other people, it provides diversionary activities, educational outcomes and other things through being a vehicle. I would whole-heartedly argue that aspects of volunteering activity in culture, heritage and the environment do exactly that. The issue is how we measure and monitor some of that.

In our submission, we mentioned some of the other outcomes. There is only one outcome for sport and physical activity—that of increasing physical activity—but if we start to think about skill profiles, educational attainment, the proportion of young people in learning, training or work, graduates with positive life choices, mental health improvements, addressing premature mortality and promoting active travel, we realise that the link with many voluntary activities is very strong. I guess that it is in the physical activity aspect of health that we would argue that sport is strongest, but I whole-heartedly recognise Jean Urquhart's point. There is a huge case to be made for the benefits for mental health and skills development that activity across the voluntary sector has, which I whole-heartedly support.

That gives rise to a question about cross-departmental working, cross-agency working,

budgeting and partnerships. Investing in area A might have an impact not just on indicator B but on the next 12 indicators. How are we actively measuring the contribution that those vehicles make? From a sports point of view, I do not think that we have cracked that nut at all. As the figures that have been referred to indicate, I do not think that we have yet fully understood from research the contribution that that makes, and I echo the point that our colleagues in other areas of the voluntary sector have made. The contribution that is being made is not recognised across all the various indicators, as David Stewart said.

I have one other quick point, if that is okay. At the beginning of the session, the convener made a strong point about how things are funded. There is a question to which I do not know the answer. As I mentioned earlier, £161.2 million is being spent on delivering the Commonwealth games in 2014. That budget line will cease following the games. Therefore, there is an opportunity to look at sport being the recipient of some of that funding as we go on. Unfortunately, we were not successful with the bid for the 2018 youth Olympic games. There have been pots of funding that have been ring fenced for sport for opportunities to do with elite events. I absolutely want to keep going with elite events, given the positive impact that we can demonstrate they have on participation in certain areas, but I think that opportunities exist to look at some of that budget and to consider a different focus in sport. We could look at prevention and identify where opportunities exist to work in partnership and make some savings. An overarching theme is that there will be freer lines in budgets, which we think will provide an opportunity for sport to do a little bit more.

John Mason: The theme of much of the discussion is how we can be more joined up. I think that I am hearing from the local authorities—and, probably, from sport—that they want to be joined up with what the Government is trying to do, and that everyone will try to work together better. In contrast, it sounds from the SFHA submission—especially what it says about procurement—as if the housing associations do not want to be part of a bigger model. I invite Mr Stewart to explain why the SFHA does not want to be part of that.

David Stewart: I should preface my comments by saying that I am not an expert on procurement; it is not an area that I deal with.

The concern—if there is one; I hope that it does not come across as any more than what is in our submission—is that, although we are keen to achieve better value and work together with local authorities and other bodies to achieve good value for money, procurement might become a huge issue, and following procurement guidelines, whether they are European ones or Scottish Government ones, might limit activity on the ground. For example, with regard to the home energy efficiency programme for Scotland, which the SFHA campaigned for—we welcome the Scottish Government's investment in it—I know that local authorities are experiencing delays in the process around getting investment in place to improve the energy efficiency of their homes and homes in the private sector. That is purely down to the time that it sometimes takes local authorities and others to go through the procurement process.

The second concern that our members sometimes have around procurement, which often comes up in discussions on the energy company obligation funding that comes from utility companies, is that, during large-scale procurement exercises that are undertaken in order to get best value for money, the approach means that small companies that work in local communities and provide jobs in those communities do not get the opportunity to take part in the schemes, or can do so only as a subcontractor to a much larger organisation.

If there are any concerns from our organisation and our members, they are in that area. That is not to say that we are not absolutely keen to procure well and to save money. For example, some of our members were involved in an energy-switching pilot that was run by Changeworks, which operates around eastern and southern Scotland. That allowed a lot of tenants of housing associations and local authorities to gain access to better energy deals. I do not want to come across as sounding as if we are against working on procurement; I just want the approach to be proportionate and allow the chance for localism, and for local firms to benefit.

John Mason: I follow what you are saying. I know that there are a lot of things that are hoped for from the procurement bill that might not actually happen, but are you saying that housing associations are already signed up to issues such as rolling out the living wage, which would be of benefit to people's health because, for example, they could afford to join a sports club?

David Stewart: I know that many of our members are signed up to the living wage. That is something that we generally promote. Many of our member organisations came into being through a desire to address poorer housing conditions that had come about under private landlords or, in the past, local authorities. However, they do not only do work in relation to housing; they exist to help some of the poorest communities and people in society. We would want to support the sort of initiative that you mention in order to gain those sorts of benefits.

I hope that, when we meet Government representatives, we get across the idea that housing associations are about more than housing and are about activities that benefit the local community.

The Convener: No one else has indicated that they want to speak. In our remaining 10 minutes, our witnesses can raise any issues that they feel have not come up in the discussions.

Derek Shewan: I would like to properly support what has been said today with regard to collaboration and the need for the private sector and the public sector to work closely together. From our perspective, there needs to be more collaboration and openness on both sides. We struggle at times to understand and appreciate the pipeline—the forward focus by the Government and local authorities on what their priorities are. Far more appreciation is needed—certainly on our side—of what those priorities are and how we can support them.

11:15

In delivering localism, we must, as David Stewart said, focus on supporting local communities. Our industry has been decimated, and a lot of the local elements have gone. There are now wider links across the country to deliver construction, especially through the hub initiative, in which fairly major players are taking control of five of the eight regions of Scotland. We need to focus on being able to deliver at a local level. Local authorities and the Government are driving more of that localism into the procurement routes, but there is still a long way to go to ensure that we support people at the grass roots by supporting a living wage and growing the networks. In order to do that, we need far more transparency and an appreciation of the challenges that both sides face. We are proposing that we work as a team to try to deliver a more cohesive approach to supporting communities at a very local level.

The Convener: You state at paragraph 34 of your submission—and you have mentioned today—that

"New indicators should ... provide a mechanism to assess the time taken to deliver Scotland's planned pipeline of publicly funded major construction projects against a defined baseline."

However, you also make a point about measuring performance that has not come up from anyone else. You state:

"In order for the NPF to be a truly effective tool, we would recommend a future requirement for performance against the national indicators to be independently assessed via the auspices of an organisation separate from the Scottish Government such as Audit Scotland."

Derek Shewan: In listening to the evidence today, we can hear the discrepancies at the public sector level in how people view and measure themselves against the indicators. That suggests that there is something amiss with the way in which we are recording and reporting performance at a local authority and a national level. It would be good to get a second opinion from someone who can review the way in which we are recording performance against those key indicators. That is essential to demonstrate how we are moving forward. We are moving forward, but we need commonality and support across organisations. Everyone round the table is suggesting the same thing; it is just coming across in a slightly different format and with a different appreciation of what we are aiming to achieve.

Amanda Coulthard: As a community planning manager, I am keen to get across two key messages, which come from a West Dunbartonshire perspective but probably apply across all the community planning partnerships. First, we need to rationalise the data sources and the indicators that we use to make the framework as accessible as possible and to ensure that we give a comprehensive picture. That will allow us to look across Scotland and start to learn lessons about what is working well in certain areas, and to share best practice.

The second message, which is a hearts-and-minds one, concerns the contribution that everyone round the table can make and the way in which we can analyse and map that to show the valuable input of many of our voluntary sector organisations in producing the outcomes that would traditionally be assigned to public sector organisations.

Given my community engagement remit, I often hear from local residents who are involved with all our different structures that they find it difficult to access information. The information is there and is available to them, but it is not particularly transparent or easy to digest. The more we rationalise it and make it accessible for people, the better a position we will be in as local government organisations and as partnerships.

Amanda Roe: To pick up on the points that Derek Shewan and Amanda Coulthard raised, we need closer alignment between the data sets, and we must ensure that the single outcome agreements are able to support the national performance framework more effectively, but we already have existing routes by which an independent body looks at that information. For example, our local area network and our annual assurance statements already look at how we are performing in that regard, so that could provide an assurance that there is consistency across the different agencies.

Aberdeenshire Council wants the Scotland performs agenda and the national performance framework to be continued, and we would like to use that as a driver within our own strategic planning framework so that we can demonstrate how we are supporting delivery of the outcomes. However, we want to continue to set our own local priority outcomes based on the needs that are picked up through our community planning partnership.

Shona Smith: Scottish Borders Council supports the national performance framework and the Scotland performs initiative. However, one of the most useful exercises that we have been through was our involvement in one of the three pilots of community planning audits by Audit Scotland and the Accounts Commission last year. The action plan that derived from that work will be helpful for us in how we take community planning forward and how we measure outcomes, because performance monitoring is part of our action plan. It also means that we will not take our eye off the ball and forget that community planning is about outcomes for our residents in the Scottish Borders.

Kim Atkinson: Our submission mentioned the need to recognise the wider contribution from people being more physically active. There is obviously a great contribution to the economy, which I appreciate is a priority for everybody. However, a couple of figures that we quoted show that work performance increases by 5 per cent when people are more physically active; that staff take 27 per cent fewer sick days if they are physically active; and that staff turnover is reduced by 15 per cent by on-site fitness programmes. That is an aspect of the economy that we do not think about so much. I know that there is a space for a gym in this building somewhere, although I am not sure if it has been filled with one. There are different opportunities that we perhaps do not view in the same way as others, and we have not touched on those aspects as much as we could have.

I welcome the recognition that addressing preventative spend goes beyond looking at procurement. I know that procurement is important for a lot of people, and I have no issue with that. However, with regard to the contribution from great chunks of the voluntary sector, we, along with our colleagues in culture, environment and heritage, would say that we bring different aspects to the prevention agenda that are not simply about procurement. That is an important point that we should not forget.

When we consider—with our sports hats on—how we produce a culture change towards prevention, the biggest area of impact will involve getting people who are inactive to become active. There is a 20 per cent difference in activity between people who are inactive and people who are active, and that is a big gap to bridge. We need to target investment in those programmes that are already demonstrating measurable and sustainable impacts.

There are programmes out there, but they are running on piecemeal bits of funding—a little bit here and a little bit there. Research has shown that such contributions can make a difference, but that requires investment in specific targeted programmes, so there is a different type of opportunity in that respect.

We have touched on early intervention, and it will not surprise anyone to hear me say that that is a massive issue. Our aspiration is for young people to have an entitlement to physical activity and to what we would call physical literacy. If every young person can run, jump, throw, catch and swim from a very early age—those sound like the basics because they are—they can build on that foundation and enjoy lifelong participation in physical activity of whatever kind they like. If people do not have those fundamentals at an early age in their school life, they may never achieve those opportunities for fun—we would hope—and for life saving and cost saving in later years.

The early intervention aspect is fundamental and it involves giving people access to a wide range of opportunities to be active. I believe that there is a sport for everybody—I will find Jean Urquhart's—and different people will want to participate in different activities. That diversity and breadth is incredibly important, and should be celebrated in the light of the number of different sports clubs that we have in this country.

Legacy is important, and our submission mentions the need for a sustainable infrastructure that provides accessible opportunities for all people to get involved in sport, focusing in particular on inactive people. The framework that we frequently propose—I apologise to those who have heard about it before—is a four-strand approach that involves focusing on physical education, people, places and performance.

Young people become physically active at school through attaining physical literacy. As people become more physically active, that becomes the cultural norm and they believe that it is right. We need to provide more support for our coaches and volunteers: the 195,000 people who volunteer week in, week out and month in, month out to make sport happen in this country. Half of all young people who want to volunteer want to do so in sport, and when we talk about skills and life chances, sport is an enormous factor.

The places element is about providing accessible opportunities. We have talked a great deal about the school estate—that is unashamedly

a plug for the next meeting of the cross-party group on sport, at which we will discuss access to the school estate and what that looks like. Some of our partners from local authorities will be part of that discussion.

We hear from clubs that the cost of access to facilities is a barrier to people becoming more active. I know that that is a massive challenge and puts pressure on local authority budgets, but it would be a great aspiration to make a facility that has received public funding free for community clubs. That goes beyond sports clubs, which are my interest; it would be great if we could throw open the doors for the voluntary sector in all its different guises and say, "Let's get more people involved," because we recognise the prevention opportunity that that would provide.

Performance is the final element. The successes that we saw throughout 2012 in the Olympics and the Paralympics—and those that we are bound to see when we look towards 2014 and at a number of events beyond—contribute enormously to people being active and to the success and reputation of this country.

Those are our four pitches for where we would invest money. Fundamentally, as I mentioned, we need to match the health objective with what the chief medical officer says. To my mind and, I hope, to your minds too, there is an obvious mismatch at present.

We need to think about the courage that the convener mentioned earlier. Who is recognising the benefits? We need to have the courage to look beyond the normal parliamentary and governmental cycles, and say, "We can make this country a better place", and there are different aspects that can help with that.

The Convener: The final word is with David Stewart.

David Stewart: In common with what others have said, we would emphasise the importance of preventative spend. We feel that housing has an important role to play in that regard, and I will give a couple of brief examples. Investing in the energy efficiency of housing can improve educational attainment, and it has knock-on benefits for physical and mental health. It is also a great boost to the economy. A recent report from Consumer Futures that was prepared by Cambridge Econometrics noted that investing in energy efficiency in housing is the most effective way of stimulating the economy. That report was a UK exercise, but there will be a similar exercise that will focus specifically on Scotland.

The second example relates to older people. Like all western countries, we are facing issues from the growth of an ageing population, as a lot of people will be living longer and living on their own. We feel that housing has a greater role to play, whether that is through quality adaptations or by providing social and health support in partnership with others to ensure that people have a good quality of life. That would bring benefits by saving spend on acute services.

The Convener: Thank you, David—I appreciate that. I thank all our witnesses for their strong contributions this morning.

11:27

Meeting suspended.

11:35

On resuming—

Financial Reporting

The Convener: Our third item of business is to take evidence on the Auditor General for Scotland's report "Developing financial reporting in Scotland". I therefore welcome to the meeting Caroline Gardner, the Auditor General for Scotland, who is joined by Gemma Diamond and Mark Taylor from Audit Scotland. I invite Caroline Gardner to make a brief opening statement.

Caroline Gardner (Auditor General for Scotland): Thank you convener, and thank you for inviting us to present this report to the committee. It obviously covers a number of areas that are central to the committee's role and responsibilities, and we are glad of the chance to be here today.

The devolved Scottish public sector manages and delivers public services that are crucial to almost every aspect of the lives of Scotland's people. The public sector spends more than £45 billion a year, which comes from a variety of sources, including the Westminster block grant and council tax. Comprehensive, reliable and transparent financial information is necessary to help politicians and other decision makers to make good decisions about how that money is used, to hold public bodies to account for their spending, and to ensure that there is public confidence in the management and sustainability of public finances.

As the committee is aware, the Scotland Act 2012 will shortly give ministers new tax and borrowing powers that are aimed at increasing autonomy and strengthening accountability. Those powers also raise the prospect of more variable revenues in future. That will increase the importance of managing and accounting for public finances in a way that demonstrates financial stability and potentially builds investor confidence on the bond markets in future.

It is important for me to stress that there is a lot that is good about public financial management in Scotland at the moment, but the changing environment will bring new demands. Currently, much of the Government's financial reporting and the Parliament's own consideration focus on spending against annual resources and capital budgets. That is undoubtedly a critical area, but the Scotland Act 2012 will bring a new focus on revenue and the report also highlights the importance of comprehensive, transparent and reliable information on the assets and liabilities that the Scottish public sector holds.

Understanding the risks and opportunities that are associated with those assets and liabilities is essential to sustainable public finances. The report that is in front of the committee pulls together information from about 100 sets of accounts of Scottish public bodies for 2011-12 to illustrate what assets and liabilities are held, and the opportunities and risks that they present. We found that the devolved Scottish public sector has assets of approximately £86 billion including hospitals, schools and investments in loans and shares, and liabilities of approximately £94 billion including pensions and borrowings.

It is important to note that the valuation of assets and liabilities always represents a snapshot at a single point in time, and it often requires significant judgment and use of best estimates. Effective financial reporting helps such complex issues to be understood so that the financial risk can be well managed.

There is room for improvement in two broad areas. The first is that there is currently no published picture of the assets and liabilities of the Scottish public sector as a whole, although ministers do have powers under section 20 of the Public Finance and Accountability (Scotland) Act 2000 to prepare consolidated public accounts that would provide that. Scotland's increasing financial autonomy with the implementation of the Scotland Act 2012 offers a good opportunity for Parliament and the Scottish Government to consider whether such accounts should be introduced.

Secondly, we also suggest four specific areas in which financial reporting could be developed.

The first of those is how best to report the long-term consequences of investment decisions, including the use of borrowing and public-private partnerships to fund investment in assets. Secondly, the Scottish Government will also have to consider how best to report on how its forecasts and other estimates are made as the new tax-raising powers are used. It is important that the Government can show that those forecasts are soundly based and explain the reasons for any variance between actual and estimated tax receipts, and the impact that that variance has on public finances.

Thirdly, audited accounts include the identification of potential future liabilities. We think that there is scope for the Scottish Government to ensure that there is clear monitoring and reporting on those potential liabilities so that the associated risk can be managed. Fourthly, the Scottish Government could provide more transparent information on some complex accounting areas that can be difficult for the Scottish Parliament and the public to understand, such as adjustments to the block grant.

The report highlights the importance of transparent, comprehensive and reliable financial

information in building public trust and investor confidence, supporting accountability and providing the information that is needed to make sound decisions. The changing financial environment in Scotland means that now is a good time for the Government and the Parliament to consider how financial reporting could be further developed, and the report is intended to be a constructive contribution to that debate.

Convener, we will do our best to answer any questions that you and your colleagues have.

The Convener: Thank you for that interesting opening statement. As is normally the case with the Finance Committee, I will ask some opening questions and then open up the questioning to colleagues around the table.

One of the points on which you touched was forecasting. It is important that the Government and the Office for Budget Responsibility can show that forecasts are soundly based. In May this year, the Cabinet Secretary for Finance, Employment and Sustainable Growth indicated that Scotland would require its own independent forecasting unit. Is that the appropriate vehicle for forecasting and what role do you see for yourself in that?

Caroline Gardner: We responded to the committee's consultation on that question earlier this year. In broad terms, the vehicle that the Government chooses to put in place for forecasting is a matter of policy rather than one on which we would have a direct view. However, a separate body of the nature that has been proposed would certainly be in a good position to fulfil the requirements for forecasting.

The way in which such a body works in practice, the transparency of its forecasts and the way in which it builds the capacity to fulfil that critical function in future are the issues that now need attention. They could be fulfilled in various ways; they could certainly be fulfilled through the body that the cabinet secretary has envisaged. We will keep a close eye on the development and establishment of that body to ensure that it is in a position to provide those forecasts effectively.

The Convener: Forgive me for asking you to dip your toe into policy. It is a sneaky thing that politicians do, and your predecessor was always very wary in that regard, so it is understandable that you are too.

Is the OBR's forecasting on the taxes that have been devolved through the Scotland Act 2012 robust? That is one of the reasons that the cabinet secretary has given for setting up the proposed independent body.

Caroline Gardner: You are right that, as Auditor General, I must always be concerned not to overstep the mark and comment on policy.

At the moment, we do not have the evidence that would be needed to draw any conclusions about the quality of the OBR's forecasting of the future Scottish devolved taxes under the Scotland Act 2012. It is obviously critical that those forecasts are robust and transparent so that the Parliament and others with an interest can test and challenge them.

We are fortunate that the implementation of the act gives us a good run-up to test out the forecasts in practice before the Scottish Government's finances start to rely on them. We are keeping a close eye on that as well as on the Scottish Government's plans for establishing its own forecasting capability in future.

The Convener: You talked about clarifying complex accounting issues. As you mentioned, the Scottish Government deals with several complex areas, such as the accounting treatment of student loans. In paragraph 16 of your report, you say:

> "While the Scottish Government and other public sector bodies produce audited accounts, they do so individually. It would require the consolidation of over 100 sets of accounts, with appropriate adjustments for transactions between public bodies, to determine the assets and liabilities of the devolved Scottish public sector as a whole."

How long would such a process take and what would be the cost implications of carrying it out?

Caroline Gardner: In a moment, I will ask my colleague Mark Taylor to come in to give you more information about that, but it is worth noting that, currently, the UK Government produces whole-of-Government accounts to which the Scottish Government makes a significant contribution. Therefore, much of the groundwork is already in place, although the comprehensive picture for Scotland has not been pulled together until now.

Mark, could you take us through the issue in a bit more detail?

11:45

Mark Taylor (Audit Scotland): The starting point is that a number of mechanisms are already in place to prepare whole-of-Government accounts at a UK level. They provide some vehicles to get consistency of accounting approach and reporting to allow aggregation and consolidation. However, there would undoubtedly be additional costs on top of that to prepare public accounts for Scotland. I guess that the issue in question is the cost benefit analysis of that work.

We are clear about the real benefits that public accounts could bring in a changing environment with the introduction of the powers in the Scotland Act 2012, but we are also clear that the purpose of the Audit Scotland report is to start a discussion about the costs and benefits and for us and the

Scottish Government to continue and maintain that discussion.

The Convener: You touched on assets and liabilities. In paragraph 20 of your report, you state:

"councils currently value local roads at their historical cost, whereas Transport Scotland values its trunk roads at depreciated replacement cost. If councils were to value local roads using the same methodology as Transport Scotland, they estimate that the value of these assets could increase from £5 billion to £55 billion."

That would clearly have a significant impact on Scotland's perceived asset base. Should there be consistency in that regard?

Caroline Gardner: You are right—the different accounting frameworks have a significant impact on the valuation of the assets in that particular case. That is why we have been careful to put forward our estimate of the total assets and total liabilities as just that—an estimate that cannot be taken further in the absence of full whole-of-Government accounts for Scotland.

The accounting profession in general and across Government is working towards greater consistency on the accounting standards. Mark Taylor might have more to say to you about the specific application in relation to roads.

Mark Taylor: I would just add that the roads issue is well understood and work is well under way to address it in time. The estimate that we use in the report came from the profession, which is well aware of the issue and is working hard to address it. We expect it to be addressed in time, which will bring consistency.

The Convener: I will open up the session to colleagues in a moment—I already have four colleagues wanting to come in—but I want to ask one more question.

In paragraph 68, you state:

"The Scottish Government could look to examples from around the world to see how it might further develop its financial reporting."

You mention some examples in the report, but will you speak to that for a minute or two, for the record?

Caroline Gardner: Certainly. As I said in my opening remarks, it is clear that, here in the UK and in Scotland, we do a lot of the financial reporting very well. For example, Government financial statements are produced on an accruals basis, which means that they actively match income and expenditure in time, and they now use the same financial reporting standards that are used for large corporations in the private sector. We do a lot of things very well.

We are keen to promote a debate about how that approach can develop in the context of further financial autonomy for Scotland to give the whole picture of assets and liabilities and to draw out the things that you need as politicians, decision makers and people who scrutinise the Scottish Government's performance to understand the implications of decisions that are made.

New Zealand is one country that is seen to do this work well, and there are other exemplars that either do most things well—Australia is one—or have pockets of good practice. We are certainly not pointing to any one model and saying, "This is the way it ought to be" as it is important that there is a dialogue with the Government and the Parliament, but there are things that we can learn both from countries that are seen as exemplars of good practice, such as Australia and New Zealand, and from countries that have had a particular experience that has highlighted their concerns.

An example that we mention in the report is the experience of the Spanish Government. We have all heard a lot in the news recently about the problems that the Spanish Government is facing with the level of indebtedness that it has built up. The problem was not the borrowing that the Spanish Government itself undertook, but the borrowing that regional Governments had entered into, which was not clear and transparent and was not brought together anywhere. It suddenly became unaffordable when the financial crisis hit and local tax revenues fell sharply.

That is a good example of the risks that any country can run if it does not have a clear picture of the overall assets and liabilities that it might have to manage. We think that there is scope to learn from such international experience in taking the debate forward.

The Convener: Thank you for that. I open up the session to members. The first person to ask questions will be Malcolm Chisholm, to be followed by Gavin Brown.

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): Your example of the international experience was interesting, Auditor General. I wondered whether the fact that there has been no published picture in Scotland is a function of our constitutional arrangements. Obviously, it is not entirely due to that, but I wonder whether it is partly related.

I wanted to ask mainly about liabilities, but I have what might be a rather naive question about assets. I think that everyone will understand the importance of having knowledge about liabilities. However, given the wide discrepancy between valuations of the roads assets, how significant is it

to know about assets if there is a variety of ways to describe them?

Caroline Gardner: As Mark Taylor said, the valuation of roads is an evolving picture. There is now an agreement for how we will move the valuation of roads on to a consistent basis in future. That will make the value of the road holdings more transparent and help to put in context, for example, the amount of backlog for maintaining the roads, which we need to manage over time.

Perhaps a better example is that of an asset for which there is not as much transparency as we would like to see: the valuation of student loans. That is a significant asset of the Scottish Government, although it is not always obvious as an asset to lay people. We would like to see clarity about what the loans are worth, over what period of time they are likely to be paid and therefore the income stream associated with them, and the extent to which they might be reduced in value by changes in the economy. That is another example of where greater transparency would help better decision making and give a better picture of what the financial sustainability of the public finance is looking like.

Malcolm Chisholm: The student debt is an interesting example. Do you think that account is taken of that in the Scottish Government's finances? Obviously, there is quite a risk of bad debt in student loans. Is that debt likely to be over a very long period of time and could it be quite significant?

Caroline Gardner: I will ask Gemma Diamond to pick up the question and tell you more about the way that student loans are currently accounted for.

Gemma Diamond (Audit Scotland): Certainly, account is taken in the accounts for the potential that the debt will not be repaid by the student. Quite a complex assessment is done at the start when the loans are made, which runs through a number of different factors. It is based on a system that the UK uses to model what loans might not be repaid, so that an immediate write-down is made of the debt when the loans are made. All that is taken into account in the accounts.

What we are saying in the report is that student loans have a very complex accounting mechanism and they appear in the accounts in lots of different places, so it can be very hard to follow how they flow through the accounts. Greater transparency in that complex area on exactly how the debt works, what the provision is and how it has been calculated, and some of the assumptions that were made when making the bad debt provision, would enhance transparency of how the student loans work and enable better scrutiny of them.

Malcolm Chisholm: Moving on to liability, Auditor General, you mentioned pensions and borrowing, both of which are interesting and important. Your Spanish example was quite interesting. I do not know whether anybody in this country keeps an eye on the borrowings of local government, although the Treasury probably does. Does the Scottish Government keep an eye on that?

Caroline Gardner: The Scottish Government takes a series of financial returns from each local authority each year that gives a range of information about their finances, including borrowing. Obviously, the Accounts Commission, through the audits of local authorities, also keeps a close eye on that and its overview report each year gives a picture of how borrowing is moving.

The question is a very interesting one in terms of the potential risks that come with assets and liabilities; the way in which the prudential framework lets local authorities decide how much borrowing they are going to enter into, over what time period and with what interest terms; and the way in which all that comes together to provide a picture of Scotland's public finances as a whole.

To be clear, we are absolutely not saying that Scotland is in anything like the position of Spain, but that example is a useful reminder of why it is important to have an overall picture. If a local authority did get into financial trouble, the Scottish Government would likely have to step in to provide support, even if only to keep essential services running in the meantime.

Malcolm Chisholm: The pension liability is obviously a big one. I am not trying to entice you into constitutional areas, but do you think that the assets and liabilities issue could become a feature of the debate on the constitution? Obviously, there is much discussion about the future economics of Scotland. I suppose that this has already happened with pensions, but do you foresee assets and liabilities becoming an area of discussion in the constitutional debate in the next year?

Caroline Gardner: As you say, it is already part of the debate. Going back to the convener's caveat, we need to be careful about how we play into that.

Earlier this year, we provided evidence to the Scottish Affairs Committee about the public sector pension schemes. Interestingly, most of the pension liabilities and pension scheme members are already in schemes that are devolved to Scotland—the local government schemes, the teachers scheme and the national health service scheme. It is really only the civil service pension scheme that is run on a UK-wide basis.

Therefore, that issue is not a particularly large one in the independence debate or the debate about further devolution of financial responsibility. Nevertheless, given the direction of travel that we are seeing with the Scotland Act 2012, which is already on the statute book, an understanding of the liabilities and what the implications are for future expenditure and revenues is important for all of us.

Gavin Brown: I want to focus on the second main point in your summary, which related to forecast estimates and the revenues that are collected. Do you have any preliminary views on what financial oversight there ought to be? How frequently should revenue collection be reported? Should it be transparently reported in real time, monthly, quarterly or annually? Do you have any preliminary views on how that might work with the new taxes that are coming in?

Caroline Gardner: Mark Taylor, who leads on the Scottish Government annual audit, is staying very close to that on my behalf and I ask him to talk you through it in a bit more detail. Our starting point is that there is scope to talk about good practice in terms of that real-time reporting, but it is unarguable that we will need to have annual reporting of how the receipts match the forecasts and what that means for the Government's annual outturn—whether it is above or below the budgets that it expected to have—and, therefore, for future spending and tax-raising plans. We will need to have that anyway. I ask Mark Taylor to talk you through where our thinking has got to on the level of reporting beneath that unarguable annual level.

Mark Taylor: I do not think that we have formed a view on how frequent the reporting should be, but we can ask what it should try to achieve. First, it should help our understanding of the quality of the forecasting and the level of uncertainty and risk that goes with that. Secondly—this is of fundamental importance to the report that we are discussing today—it should help us to understand the implications for the budget of how the forecast and the block grant impact on the budget and how differences between forecasts and actuals impact on the budget. It should also help us to understand those implications alongside the implications of other things that impact on the budget—the budget exchange mechanism, any capital moneys that, with agreement, have been carried over from one year to another, and borrowing—including how all those things interact. Fundamentally, the reporting is about getting clarity about that. It is an annual process and, to my mind, one that impacts both at the budget-setting stage and at the budget outcome stage—the annual report stage. There are at least two areas where it is worth reporting on that.

Thirdly, the reporting should enable a whole-system picture of things such as borrowing and the impacts of revenue and tax, placing those individual things—for example, how the forecast affects the amount of money that is available to spend—in the context of the wider position of what the aggregate borrowing is and what the aggregate liabilities are.

Gavin Brown: I ask the question because, with income tax in particular, although we can predict how much we think we will collect over the course of the financial year, it is inconceivable that we will collect one twelfth of that amount in each calendar month. I imagine that there will be peaks and troughs, with the end of January and the end of the financial year being particularly busy, and that, in other months, we will collect much less. In terms of the level of sophistication that is required, is there merit in having either monthly or quarterly reporting against what was predicted so that we, as parliamentarians and members of the Finance Committee, have a good picture of how we are doing? After nine months of the year, we might think, "Great. We've got three quarters of what we expected to get." However, if the last quarter was predicted to be a bumper quarter and turns out to be a weak quarter, we will end up in difficulty at the end of the year. Do you have any further thoughts on that?

12:00

Caroline Gardner: That is exactly the sort of question that the committee ought to be exploring at this stage. We certainly expect the Government and revenue Scotland to have in place very detailed monitoring that is increasingly informed by a good understanding of the pattern of tax collection, how much one would expect to collect in each month of the year, and what action needs to be taken if there is slippage. That is particularly important in relation to the Scottish rate of income tax, which is by far the biggest of the new taxes that will be collected by HM Revenue and Customs on behalf of the Government. Having that really clear line of sight will be key.

I do not think that much attention has been paid yet to what information the Parliament needs or what information should be publicly reported in-year as opposed to at the end of the year and as part of the budget-setting process, as Mark Taylor said. I do not have a strong view on that at this stage, but the committee and other committees of the Parliament should focus on it.

Michael McMahon: You mentioned the value of assets in your opening statement, and you talked about financial assets in response to a question from Malcolm Chisholm. Paragraph 23 of your report specifically considers physical assets. It says that the public sector needs

"to consider how demand and usage of physical assets affect their condition and future maintenance requirements."

Paragraph 24 of the report says:

"Public bodies may decide to delay short-term expenditure on maintaining assets. If they do, they must be aware of how this might affect the long-term condition of the assets and the way they are used to support service provision."

Are you aware of an increase in such decisions?

Caroline Gardner: At the moment, we are not. It is clear that there is a risk of that happening, which is why we made that point in the report.

I think that one of the reasons why that evidence does not exist is that public bodies are becoming more transparent in reporting their maintenance backlogs. In paragraph 23, we report on the NHS maintenance backlog, which is based on a very detailed survey that the NHS carried out of its assets. The maintenance requirements were broken down by category, and more recently, an amount for lower-priority work has been separated out, as the buildings concerned are likely to be disposed of within the next 10 years.

The information is improving, which is a good thing, but it is not yet good enough to highlight whether the maintenance backlog is increasing because people are deciding to delay repairs or investments and are running the risk of storing up problems for the longer term as a result. That is exactly why we think that the information is needed on a consistent basis. The bodies themselves can then spot things, and the Parliament can see the impact.

Michael McMahon: From what you have said, I assume that it must be important to get a baseline so that, when maintenance costs are taken into account later on, that information can be contrasted with what the maintenance costs would have been when a decision was deferred.

Caroline Gardner: That is exactly right. The baseline is developing. We have a range of examples that relate to NHS assets, the road network and other things. The baseline is there and we now need to use that baseline information in individual public bodies, the Scottish Government and the Parliament to look for patterns in what is happening to the costs of the maintenance backlog that we know we have, what the plans are for meeting those costs and how the issue fits into things such as planning for reconfiguring services to move from reacting to problems to preventing them. All that information is necessary in making those decisions.

John Mason: Paragraph 47 in part 3 of the report talks about the audited accounts. It says that they are a

"key way of reporting financial information. International accounting frameworks and standards help to ensure that they are prepared objectively and can be compared across different organisations. However, this can mean that they are hard"—

if not impossible—

"to understand by a lay reader".

That is not just an issue for the public sector, is it? It is absolutely an issue across all accountancy. Accountants have failed to make accounts understandable, have they not?

Caroline Gardner: I know that Mr Mason is aware that there is a very topical debate on the impact that the international financial reporting standards have had on making accounts more comparable and consistent, and on making them less understandable and perhaps less useful in some contexts. Many people would argue that that has happened.

Clearly, Governments across the world have had to make a major investment of time and resources to bring their financial reporting into line with IFRS, and there are some benefits to that. However, there is a strong school of thought, which I understand, that that has made their accounts less comprehensible. I am an accountant, but when I pick up a local authority's accounts I may need to spend quite some time working out what they are really telling me.

"Developing financial reporting in Scotland" is intended to be a contribution to a discussion on what the most important things are that users of accounts need to know. A second step is how we get those in place. My sense is that arguing for a change in the international financial reporting standards will be a long and slow process, but there are things that we can do, such as providing commentary on the accounts and linking financial statements to Scotland performs. There are a range of things that can be done to build on the existing foundation to make the accounts more useful and approachable for lay users rather than run the risk of adding to the complexity, which would put people off.

John Mason: Is that the kind of thing that is being done in New Zealand? Are the improvements there more on the commentary or presentational side, with the actual content being much the same as elsewhere?

Caroline Gardner: Absolutely. New Zealand still applies the international financial reporting standards, but people there have become very skilled in providing commentary and a long-term look at financial sustainability based on what is known from the current year's financial statements.

John Mason: Transparency gets a good bit of coverage in your report, and on the whole most of us are keen on transparency. However, in making provision for contingent liabilities and so on, a balance needs to be struck if you are not to show your opponent your hand. Generally, our committee considers contingent liabilities in private because they are sensitive. How do we strike the right balance so that we do not say, "We are about to pay out £10 million for this claim," which would just encourage the claimant?

Caroline Gardner: You are absolutely right. The same issue relates to reporting the likely costs of large capital investments before the contract is committed. No one wants to show their hand to the person on the other side of the table before the deal is done. However, that does not mean that there cannot be more transparency about the likely liabilities.

On this difficult question, I do not want to give the impression that, with 20:20 hindsight, things that later became apparent should have been known at the time. Six years ago, none of us would have guessed that the UK Government could have such a large liability for the failing banks—we could not have seen that coming. Equally, given what we now know about the bank bail-outs, what has happened in euro-zone countries such as Spain where liabilities have fallen to Government and what is happening to some US cities such as Detroit, we need to consider what that means for the likely or possible liabilities that could fall to the Scottish Government or to Scottish public bodies. We need to consider whether we are monitoring those in ways that help us to manage them and whether we are disclosing them as contingent liabilities where it is appropriate to do so.

Of course, the benefit of contingent liabilities is that we do not have to put a number on them, because the likelihood of their crystallising is less than 50:50. Therefore, we are talking about the risk rather than the financial impact. The point that we are trying to promote is the importance of having a quite open discussion about what the possible liabilities might be before they crystallise so that we can take a prudent and responsible approach to managing the public finances.

John Mason: A specific example that the report mentions is the equal pay cases, which primarily relate not to the Scottish Government or Parliament but to local councils and NHS boards. You do not make a particular recommendation on that—unless I missed it—but in that example is it the case that we are probably not legally responsible, although there is a potential liability down the line?

Caroline Gardner: In a technical sense, that is absolutely right. The equal pay cases are a very good example of how difficult it can be to quantify what the liability is. As we all know, equal pay cases have been running for a long time right across the UK and every time that the bodies involved think that they are getting closer to being able to quantify what the liability is, a new legal decision emerges that changes the situation and takes it in different directions. The ability to hold something as a contingent liability and to be aware of what its impact might be without either revealing a negotiating position to lawyers or providing spurious accuracy about what the liability might be is very important in that context.

From his body language, I think that Mark Taylor has more to add on that point.

Mark Taylor: To flesh that out a little bit, a key point is the difference between showing a hand in individual cases and dealing with the aggregation of the sort of issues that may potentially lead to expenditure further down the line. I think that there are opportunities to be more transparent about some of the underlying issues.

On some of the niceties of equal pay, individual bodies make individual accounting judgments about whether to recognise that expenditure, and how much expenditure to recognise on a best-estimate basis. Different parts of the public sector have made different judgments, which are picked up and confirmed through the audit process.

There is an important point to make about audited accounts. A lot of information is in the public domain and made available to the committee and the Parliament, but the unique aspect of audited accounts is that they are audited, independently verified and prepared to an objective framework. In the case of contingent liabilities and provisions, that is one of the ways in which we as auditors test what should be reported against the rules, and what can be less transparent.

John Mason: I take your point that we do not want to be totally transparent about what the liability might be in an individual transaction; it is more about the overall picture.

Recently, we have been considering the bringing together of the health service and the social work service. Once individual employees from those services start getting mixed up with one another, there is the potential for a lot of equal pay claims. On the one hand, we do not want to encourage people immediately to make an equal pay claim on day one but, on the other hand, we have a responsibility to be open and transparent about that. How can we get the balance right?

Caroline Gardner: That example is one in which the financial reporting implications come quite a long way down the road. For me, the most important thing is being aware—as we already

are—that equal pay can be a significant cost to public bodies. Of course, there is a real issue of social justice and the fair treatment of individual workers.

Planning now to understand what it means as we bring together people from different employment backgrounds, rules and grading structures and thinking through how to manage the impact on the service and on the cost of services should be central to planning for the integration of health and social care. If that is done properly, the liabilities will be much easier to manage than if the issue emerges as an afterthought once integration has taken place. It is a great example of why awareness of the potential liabilities is important; the financial reporting of those will follow further down the line.

John Mason: We have talked about local authorities' prudential borrowing powers. In paragraph 35 of the report, you talk about how the Scottish Government will be limited, especially by the idea of paying no more than 5 per cent of the estimated revenue and capital budgets in interest and loans.

I realise that there are policy issues in this question, but the 5 per cent appears to be quite arbitrary. I am more comfortable with the prudential approach. Will you make any comment on what our risks are in that regard?

Caroline Gardner: I will make a broad comment. The important underlying point—as your question hints—is how we ensure that financing capital investment through revenue means is affordable in the long term. There is nothing wrong in principle with doing that—we all do it when we buy a house on a mortgage. There is no reason not to finance capital investments through revenue sources, but it ties up funding for a long time—20 or 30 years—and throws up questions about the affordability of future requirements and intergenerational equity.

Different approaches can be taken to ensuring financial sustainability. The prudential framework is the one that has been agreed for local government throughout the UK. The Scottish Government took the initiative of setting a 5 per cent cap. Setting the cap is a good move forward in terms of the ability to demonstrate financial sustainability. It is not the only approach that could be taken, but there is nothing wrong with it and it is a positive move.

The Government having made that policy decision, the next step that we would like it to take is to provide greater clarity about what counts against the cap and more transparent reporting about how it is used so that the Parliament and others with an interest can see what has been committed and what is still available for investment over the rolling period that the existing commitments cover.

John Mason: As interest rates and inflation vary in future, that will have an impact on whether the 5 per cent cap is too high or too low.

Caroline Gardner: Absolutely, depending on the way in which existing investment has been financed—whether the rate is fixed or variable and other aspects. Again, that is why transparent reporting of what is in the cap and what has been committed against it is important. Being able to take that 30, 40 or 50-year view of what is already committed and therefore what is available for investment is very important against that background of change.

John Mason: That is great. Thank you.

12:15

Jamie Hepburn: Exhibit 6 sets out in graphics the assets and liabilities of the devolved Scottish public sector. Where do those figures come from? The source is given as Audit Scotland, but were you able to get them from a single register or did you do your own assessment and work to pull them all together?

Caroline Gardner: I will ask Gemma Diamond to give you more detail but, in broad terms, the figures come from our work in pulling together the accounts of more than 100 public bodies in Scotland.

Jamie Hepburn: So Audit Scotland is the single source, essentially.

Caroline Gardner: In terms of consolidating everything and pulling it together, yes. Gemma Diamond will say a bit more about how we did that.

Gemma Diamond: In essence, it was a simple consolidation process of adding together all the different sets of accounts for the public bodies that are involved. We had a threshold in place whereby some of the smaller bodies were not included because they would not materially impact on the overall position. We used the audited accounts as well as some whole-of-Government accounts information, and basically we added them together to get the consolidated picture.

We made some adjustments where we knew that there would be some double counting in play. For example, we tried to remove Scottish Government lending to Scottish Water from the picture so that we were not double counting that. We know that we were not able to remove all double counting and transactions between public bodies, but we do not believe that that materially impacts on the picture.

Jamie Hepburn: Okay. That is helpful. Bear with me—my next question may be quite convoluted, and it probably comes from my lack of accountancy expertise as much as anything else.

John Mason: Hmm.

Jamie Hepburn: I note that I have intrigued John Mason.

The question is about the definition of what constitutes an asset. From my lay point of view, my financial assets are my house and my car—my assets are my property, which I can either shift and realise a value through or borrow against.

In the report glossary, you set out how you define an asset. I presume that what I consider an asset to be is broadly speaking what you consider an asset to be in the terminology that you use. Given that, I am intrigued that roads are viewed as assets, notwithstanding the wide variations in the values that are given for them. I can see that they are economic and social assets, but in what way are they financial assets? No one is going to come in and buy Scotland's road network any time soon, are they?

Caroline Gardner: You are taking us all right back to our accountancy 101 courses—for some of us, that was a long time ago—on understanding what an asset is.

Jamie Hepburn: I am glad to have helped.

Caroline Gardner: The definition of assets that we have used is standard right across the accountancy and auditing profession. An asset is anything you can use that you own or control and can use to produce value.

The roads network has a value in that it is a critical part of Scotland's economic infrastructure for moving people and goods and businesses around. Perhaps the easiest way of quantifying that is to think that, if we had to build the roads network—if it did not go back for the 100 or more years that it does in parts of Scotland—there would be a real cost to doing that. We would be investing in building that asset, which could then be used to underpin the economy and the social connections that we all have.

Jamie Hepburn: The roads network is not an asset in the sense that I set out. I missed accountancy 101, I should say, but it is not something that can be borrowed against or anything like that.

Caroline Gardner: You might be surprised. I ask Mark Taylor to take you through that.

Jamie Hepburn: Okay. Surprise me.

Mark Taylor: It is worth recognising that there are different types of assets. Assets such as the roads network provide public benefit, but that benefit is perhaps not in a potential to dispose of them and raise proceeds. Other assets are more of the financial type and they have a financial value. The balance sheet or statement of financial position captures both sorts of assets and puts values on them.

If we have better and more transparent reporting, it will help to give us a better understanding of those issues. For example, it will help us to understand where there might be opportunities to release cash and where there might be risks in relation to the need to fund and maintain assets.

Jamie Hepburn: That is a useful point and a helpful clarification, certainly from my perspective. You mentioned both assets against which we can realise value and the wider economic and social leverage. Some of the assets that I mentioned—or all of them, probably—will require maintenance, which is an on-going cost. In essence, could that be viewed as a liability and as such, in accountancy terms, are the costs that such assets are likely to incur on the liabilities side?

Caroline Gardner: Again, I will ask Mark Taylor to take you through that. However, I note that one reason why we think that it is important to understand assets and have transparency around them is that they often give rise to costs and income. Over time, in order to keep roads in good order, we must incur the costs of maintenance and of bringing them up to date. The student loan book is an example of an asset—I remember scratching my head, as an accountancy student, over how a loan could be an asset—that brings in a revenue stream over time. It is important to have clarity around that.

I ask the expert beside me to take you through a bit more of the background to the issue.

Mark Taylor: I will try to avoid getting into a detailed lesson on accountancy. The broad point is that assets and liabilities come with risks and opportunities. Often, however, it is tempting to see the costs without seeing the benefits. That applies to assets as well as liabilities. Through improved financial reporting, the niceties of that for individual classes of assets can be better understood.

Sometimes, a liability is measured at a level about which there is some uncertainty. The result could be that the liability is less than was expected and some additional funds can be freed up. There are opportunities and risks associated with both assets and liabilities.

Jamie Hepburn: That is helpful but, for absolute clarity, where do the on-going maintenance costs feature? Do they feature in exhibit 6 at all?

Mark Taylor: I will have to drop into accountancy-speak for a moment. It is important to differentiate between liabilities, which are costs that have already been incurred because of the activities of Government, and future costs and commitments, which will feature as future expenditure in future years. Those are two separate things.

Jamie Hepburn: Your answer is no, then.

Mark Taylor: That is correct.

Jamie Hepburn: I thank the committee for indulging me in my personal accountancy class.

Michael McMahon: I have a supplementary question that is also a bit of an indulgence. I recall that, some time ago, some English local authorities were thinking about doing some sort of private finance initiative deals with their road network assets, which would see them borrow on the strength of an asset and then pay a company to maintain the road for a set period of time. Is that the type of thing that you are talking about here?

Caroline Gardner: That is a great example. Assets can sometimes be used in those ways. I do not know of any examples in which English local authorities have, in effect, sold and then leased back the road network, but that has certainly happened with office buildings and other such assets, where a capital receipt comes in and there is a revenue cost to continue using the asset over a period of time. That is why it is important to have a picture of what is owned and what is owed.

Jean Urquhart: My question is on the same theme of the clarity of financial reporting relating to assets and liabilities. The examples that we have talked about are recorded through local authorities and so on. What about assets such as those that are held by the Crown Estate? Do you look at those? Until about 10 years ago, the Crown Estate published Scottish accounts, but it no longer does that; it publishes accounts only for the United Kingdom.

Following on from that, in the committee's experience, the OBR has predicted figures that were clearly not right. In the light of the new taxes and so on, do you have an opinion about that? Do you have a relationship with the OBR? How does that work?

Caroline Gardner: I will start with the question about the Crown Estate and other UK-wide assets and liabilities. For the report, we deliberately stuck with the existing boundary of devolution—that is, what we have from the Scotland Act 1998 and the Scotland Act 2012, which is coming into force. It seems to us that that change is a good enough reason to consider the completeness, transparency and accessibility of the financial reporting that is available to you and more widely to the people of Scotland.

You are right to suggest that the Crown Estate is not part of the report, and we did not attempt to go into difficult issues such as Scotland's share of the national debt or assets that are held on a UK basis. Depending on the outcome of the referendum next year, that may become necessary, but it is not my role to start that debate now, so we focused on the existing boundaries. However, it is worth saying that, whatever happens in terms of future financial devolution or autonomy, the report will provide a sound foundation for that. It is important both in its own right and as a foundation for future discussions.

On your second question, which was about the OBR forecasts, I cannot really amplify the answer that I gave to the convener. The OBR forecasts are central to the Scottish Government's forecasting of the receipts from the new devolved taxes. Over time, we will get experience of how accurate the forecasts are and there will be an opportunity to supplement or replace them with specifically Scottish forecasts through the new fiscal forecasting body that is proposed.

The important question from our perspective concerns the way in which the committee and the Parliament more widely will be able to compare the forecasts with the actual receipts and understand why there is a difference. Is it because of poor forecasting or changes in economic activity that could not have been foreseen? A whole range of things will come into play. You will need to be able to explore the issue and understand what is happening to ensure that future forecasts are more reliable.

Jean Urquhart: I have a supplementary question. On the basis of what you have said, it seems that the clarity that you achieve in auditing Scotland's figures is not achieved at a United Kingdom level. The OBR's figures make no distinction between Scottish, Welsh, Northern Irish and English figures for the landfill tax and so on. The fact that we cannot get the figures for Scotland suggests that there is not the same clarity in the accounting. Is that correct?

Caroline Gardner: I would distinguish between financial reporting, which looks back at the assets that we now hold and our income and expenditure over the past year and ensures that that is reported in a comprehensive, transparent and reliable way, and forecasting. The whole-of-Government accounts for the UK Government provide that overall picture and are increasingly useful to the Westminster Parliament when it looks at matters such as the way in which clinical negligence provisions or nuclear decommissioning are being handled.

We do not yet have such a system in Scotland and it would be useful to start looking at how it should develop. We have not audited the OBR's forecast for either the UK as a whole or Scotland but, as you say, that is becoming more important as the new taxes under the Scotland Act 2012 are implemented, and the financial reporting will help to inform that.

Malcolm Chisholm: I pick up on your statement on greater clarity about what counts against the 5 per cent cap. Is there quite a lot of dispute about that or is this just at the margins? I think that, at the moment, the figure is 4.8 or 4.9 per cent. Is there scope for wide discrepancies or is there just a bit of detail that is lacking?

Caroline Gardner: I think that it is the latter. The broad picture is clear, but there is a need to pin that out and make it explicit so that the Parliament and others with an interest can see it, and there is a need to report against it on a continuing basis so that we can see what is going on.

Malcolm Chisholm: Are you saying that the information is not stated clearly in any one place in any document?

Caroline Gardner: The reporting on the cap is not yet a formal part of the Government's financial reporting. There was a big step forward in the budget announcement a couple of weeks ago, but the details are still emerging. The picture is evolving, but such reporting is the logical next step following the Government's good first step of putting the cap in place.

Malcolm Chisholm: Are the liabilities for the different public-private partnership deals just the sum total of however much is to be paid up over the 30 years? How does that compare with how you count traditional borrowing liabilities?

Caroline Gardner: I ask Mark Taylor to take us through that.

Mark Taylor: I will give it a go. The way in which PPP accounting works is essentially that we add up the cost of a PPP scheme throughout its lifetime. It is not a straightforward and simple aggregation because we apply some financial modelling to take account of what will happen to inflation and the time value of money, but we are then able to estimate the liability. As the annual charges are paid by public bodies, we expect the liability to come down. That is how PPP works.

On how borrowing works, the amount of money that is owed to the bank is shown as a liability. Each year, interest costs will have to be paid and some of the borrowing will have to be repaid. There are two things to take account of when we look at how borrowing impacts on public accounting. The first is the amount that is still to be paid in aggregate terms, and the second is how much needs to be paid this year. The 5 per cent cap is about how much needs to be paid this year, and we are saying that there needs to be absolute clarity about what is in and what is out of that 5 per cent cap. It includes borrowing and PPP costs, but exactly which ones? There has been a helpful discussion about how that can be progressed.

12:30

Malcolm Chisholm: Which would tend to show up as a larger liability—a big project that was funded traditionally or one that is funded by PPP?

Mark Taylor: I think that I will avoid answering the question about which is more expensive—PPP or traditional borrowing.

Malcolm Chisholm: Is that necessarily the same question?

Mark Taylor: Essentially, it depends on the mechanics of the individual contract for the individual asset and what deal has been negotiated. It is worth saying that traditional borrowing comes with the costs of servicing the debt, but PPP also comes with costs. In a PPP scheme, you are often paying for more than you would be under a traditional contract.

Malcolm Chisholm: I understand that, but I just wondered about the liabilities.

On the 5 per cent cap, do we have any comparable figures for local government borrowings and so on? Does that vary widely from local authority to local authority?

Caroline Gardner: It does. Exhibit 10 in the report shows by sector—for local government, the health service, public corporations and central Government—the known commitments for PPP charges, and the local government ones are the most significant. Within that, there is a good deal of variation between the 32 councils' liabilities. That is transparent in their accounts, and the Accounts Commission pulls the information together, to an extent, in its overview report. Again, however, it would be helpful to get an overall picture for the Scottish public sector as a whole for all the reasons that we have been discussing.

Malcolm Chisholm: Does exhibit 10 combine PPP charges and loan charges?

Caroline Gardner: Our exhibit is for PPP charges.

Malcolm Chisholm: Surely we need to know both. Presumably, the loan charges are bigger for most local authorities.

Caroline Gardner: Absolutely. As Gemma Diamond explained earlier, it is possible to pull all

this together to get that picture, but it has to be done as a one-off exercise.

Malcolm Chisholm: Do we not really know? Is it likely that a lot of councils are above the 5 per cent cap?

Caroline Gardner: The 5 per cent cap does not apply to councils.

Malcolm Chisholm: I know that it does not apply to councils, but what about in practice?

Caroline Gardner: I would not want to mislead the committee by taking a stab at that. The Accounts Commission is responsible for auditing local government and it has reported a significant amount on the issue. We can come back to you with more information if that would be helpful.

Malcolm Chisholm: Okay. Thank you.

The Convener: That concludes the questions from members of the committee, but I have a couple of questions that I would like to ask.

Going back to PPP, I note that paragraph 31 of the report mentions 93 assets that

"have a combined estimated capital value of £6.1 billion."

Paragraph 32 goes on to state that the total of paid and to-be-paid charges for those assets will amount to £32.6 billion for that £6.1 billion in assets, and the total payment is 5.3 times the capital value. Over the page, you go on to mention public-private partnerships, the private finance initiative and the non-profit-distributing model, but you do not show any similar ratios for them. What is the ratio of payments to capital value for the non-profit-distributing model?

Caroline Gardner: We used PPP as an umbrella term that includes PFI and NPD, so the figure that you mentioned combines information for projects of both sorts. Gemma Diamond might be able to provide a bit more information on that, but I suspect not. Our intention was not to audit PFI and NPD but to give an overall picture of the long-term commitments that reflects the investment in assets that has been made over a period of time.

The Convener: But if the Government is choosing one measure over another, surely it would be helpful to have the difference in costs laid out.

Caroline Gardner: We might carry out such a piece of work in future, but it is not the focus of the report. We have not audited individual PPP projects of whatever sort to investigate the relative costs and benefits. As Mark Taylor said, that would be a complex exercise because of the range of things that are included in different contracts across the different parts of the public sector. That is not what we have done for the report that we are discussing today, although it would be possible to do it in future.

The Convener: Would it not aid transparency in public policy making?

Caroline Gardner: It might, but the question is whether that is part of Audit Scotland's role or the Government's.

The Convener: Thank you. I have one more question. Following on from our 90-minute session this morning on the national performance framework and how it links with the Scottish budget, is there any evidence on the NPF's impact on the Scottish Government's spending decisions?

Caroline Gardner: At the moment, it is hard to see where that evidence would sit. We had a useful session with the Public Audit Committee a couple of meetings ago when it focused on the quality of data that is available to allow the Government to demonstrate the effectiveness of its policies. As a result of that, the Public Audit Committee has agreed that we will do some work with the Government to look at the data that is required to underpin the national performance framework so that we can link the outcomes with inputs and outputs. A key input is the spending decisions and the amount of money that is spent.

We are conscious that integrated reporting is a big development right across the accountancy and auditing world globally in both the public and private sectors. Further out, there is scope for much better reporting of performance and financial results in a way that allows that joining up. We are not there yet, but there is a real will to make progress on that.

The Convener: Thank you. That concludes our questions. Are there any points that you want to make to the committee that we missed out in the questions that we have asked?

Caroline Gardner: From our perspective, the discussion has been helpful, and it has been good for us to have the chance to sit down with the committee. My strong view is that this area needs to continue to evolve with the implementation of the Scotland Act 2012 and the discussion about further financial autonomy or independence in future. We would welcome the chance to stay engaged with the committee on what it would find useful and what further information we might be able to help with. Thank you for the chance to be with you this morning.

The Convener: I thank you for your opening statement and your answers to our questions, and I thank my colleagues for asking them.

12:37

Meeting continued in private until 12:45.

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