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Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 20 June 2012

Session 4

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CONTENTS

	Col.
WELFARE REFORM ACT 2012	1365
DATA COLLECTION	1392

FINANCE COMMITTEE
19th Meeting 2012, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)

*Mark McDonald (North East Scotland) (SNP)

*Michael McMahon (Uddingston and Bellshill) (Lab)

*Elaine Murray (Dumfriesshire) (Lab)

*Paul Wheelhouse (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor David Bell (Adviser)

Antony Clark (Audit Scotland)

Jim Cuthbert

Margaret Cuthbert

Roger Halliday (Scottish Government)

David McColgan (Scottish Council for Voluntary Organisations)

Dr Margaret Somerville (NHS Highland)

Jenny Stewart (KPMG)

Dr Mary Taylor (Scottish Federation of Housing Associations)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 5

Scottish Parliament

Finance Committee

Wednesday 20 June 2012

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

Welfare Reform Act 2012

The Convener (Kenneth Gibson): Good morning and welcome to the 19th meeting of the Finance Committee in 2012. I ask everyone present to turn off their mobile phones and BlackBerrys and switch their e-tablets to airplane mode.

Agenda item 1 is to take evidence on the financial implications of the Welfare Reform Act 2012. I therefore welcome to the meeting Mr David McColgan, from the Scottish Council for Voluntary Organisations; Dr Margaret Somerville, from NHS Highland; and Dr Mary Taylor, from the Scottish Federation of Housing Associations. We will proceed directly to questions. I will ask each of you a question in turn, but the other witnesses can chip in if they wish, and then I will open it up to committee members.

The first question is for Dr Taylor. Before I ask it, though, I have to say that you gave us an excellent, comprehensive written submission that probably answers a lot of the questions that committee members would want to ask. I met someone from a housing association on Monday who said that, in the 1980s, before direct payments were introduced, the collection of rent was particularly difficult and the level of rent arrears was above 15 per cent in some housing associations. They are now about a tenth of that level because of direct payments, which clearly had an impact, as you pointed out in the SFHA submission.

You state in paragraph 1.8 of your submission:

"We anticipate that the combined consequence of the direct and indirect impacts will reduce household income in our sector by around £221m in total over the period from now to 2016-17."

How are you able to be so precise in that calculation? What does that figure represent in relation to the income of housing associations in Scotland over that period?

In paragraph 5.3, you refer to the impact on your "sector's ability to repay loans".

What does that mean for the viability of housing associations?

Dr Mary Taylor (Scottish Federation of Housing Associations): You are asking how we

can be so precise and how that figure relates to other—

The Convener: The question is what share of your income that figure is likely to be and what impact it will have on the viability of housing associations in Scotland.

Dr Taylor: I would encourage you not to think of that figure as precise, as it is our best estimate. I should also say thank you for the invitation and the opportunity to give evidence.

The Convener: Not at all.

I asked about the precision of the figure because £221 million seems fairly precise. If the figure was £250 million, I might assume that you had made a guesstimate. However, £221 million seems a fairly precise figure, and that is why I raised that point.

Dr Taylor: If it helps to think of it as £220 million, then please think of it as that, because it is a best estimate that was prepared by consultants who did some research for us for a report that is still forthcoming—unfortunately, it is not available at this stage. It looks at the impact of the changes in eligibility for benefits of the population of households in the housing association sector and extrapolates from some detailed work, particularly landlords' estimates of the impact on their tenants. We do not have that information for the whole sector. Indeed, some landlords do not have it for themselves, but they are working on getting it.

We therefore estimated the impact that changes in non-dependent deductions, the deduction for underoccupancy—the bedroom tax, as it is unpopularly known—and various other changes will have on tenants' income in terms of housing benefit, council tax benefit and wider reforms. The fourth factor, which is probably the most significant of the lot, is that benefits will be uprated by the consumer prices index rather than by the retail prices index, which creates a kind of wedge and contributes to about half of the total amount of the loss.

Our estimate is that the £221 million is the value of the savings that the United Kingdom Government will make from the incomes of tenants in our sector, and it is therefore the loss to our tenants.

The Convener: I was trying to find out exactly what that figure means as a share of your income. Clearly, £220 million is 22 per cent of £1 billion and it is 2.2 per cent of £10 billion. I am trying to look at the impact of the figure in overall financial terms on the sector to 2016-17.

Your submission also talks about viability. Is there a potential danger that the viability of housing associations will be threatened?

Dr Taylor: As you will be aware from the evidence that you have taken, and as you will hear more about today, there are a lot of uncertainties and unknowns, and that is one of them. At this stage, I do not have an idea of the relative impact, although I might get an idea from the forthcoming report.

We are aware that tenants will lose a significant chunk of income, which will put them under a great deal of pressure. We will still endeavour to collect the rent. Landlords are working hard to establish who will lose what within their tenant population and what impact that is likely to have on those households. Landlords will support households to do whatever they can to ensure that the rent is paid continuously. We do not want to end up in the situation that we had back in the 1980s, to which you referred, when collection was difficult and expensive and arrears were high. High rent collection costs or high arrears would undermine the viability of any landlord, social or private. Therefore, we are doing everything to minimise the impact on viability, but that is a concern.

The Convener: Mr McColgan, your submission states:

“Carers Centres are seeing an increase in demand for support and advice”.

In particular, you say that Pollok carers centre

“has seen in the region of 83% increase in enquiries around welfare benefits alone and a 250% increase in referrals for support during the last quarter”.

The Pollok area is dear to my heart, and my mother is a councillor there. What impact will there be in the next year on the voluntary sector’s ability to deliver advice, and what do you hope the Scottish Government can do to mitigate that?

Your submission goes on to talk about the potential impact on preventative spend, which you say is possibly being used to plug gaps because of the reduction in finance that is in part a result of the welfare reform legislation. Will you comment on that, too?

David McColgan (Scottish Council for Voluntary Organisations): The third sector is playing a huge role in supporting individuals who have been affected by welfare reform. That plays directly into what the third sector does best, which is supporting people at community level. The Pollok carers centre is just one example of that. The individual who gave me the information on the centre informed me that she has 360 hours of time off in lieu, so she has done 10 weeks of free work to try to deal with the demand.

The third sector has experience of working to support people who are affected by welfare reform. Our big concern is about the level of support that will be needed for grass-roots

volunteers who have to understand the reforms and then help people who come to them. People who present at carers centres looking for advice are often in a state of worry and have probably got their information from the press and not sources of solid information. The sector is keen for the Scottish Government and Parliament to take a key leadership role in supporting everyone across Scotland, whether in local government or the third sector, to support grass-roots volunteers and others who work at the coalface to understand what the welfare reforms mean for individuals and to be able to help those people.

A prime example is the expectation that 80 per cent of people who apply for universal credit will do so online. That will create a massive demand. We are talking about people who potentially do not have access to computers and who might have literacy issues and therefore cannot go through the process. Third sector organisations will have to support such individuals. Local libraries will potentially have to provide access for such people. A lot of training and support will be required locally and nationally to support organisations to help people who are in that situation.

I have completely forgotten the second part of your question. Could you repeat it?

The Convener: Basically, I asked about your concerns about the impact on the preventative spend agenda as a result of the money being used to plug gaps.

David McColgan: The third sector was delighted by the Scottish Parliament and Government’s commitment to preventative spend and to see the approach being rolled out.

Our concern is that, as budgets dwindle at a local level—there is a predicted 3 per cent decrease in local government budgets in the coming years—the preventative spend agenda is used as an avenue to support people who are suffering from the impacts of welfare reform. That could involve a spectrum of issues, including supporting young people who are impacted by welfare reform. As I said in my submission, someone likened the current situation to a perfect storm. We have never before experienced what is going to happen in Scotland in terms of all of the elements that are coming together at once. Our concern is that the preventative spend agenda that has been laid down by the Parliament and the Government is somewhat hijacked by the response to welfare reform. With that in mind, however—this might sound oxymoronic—we are quite keen for welfare to be seen as a preventative agenda as well. For example, if we can keep people in employment and increase employment in Scotland, fewer people in Scotland will have to be dependent on the welfare state. We are keen

that any response to welfare reform be considered as prevention and acted on in that way.

The Convener: You have talked about carers centres, and there are issues for citizens advice bureaux. How prepared will the third sector be for this legislation? If there is going to be a quantum leap in the number of people seeking advice, does the third sector have an appropriate number of adequately trained volunteers? Are you concerned that there might not be enough? Are you looking for mitigation from the Scottish Government and local authorities to help you to prepare?

David McColgan: That is a good question. The sector is committed to training staff and volunteers. The organisations will be thinking deeply about what welfare reform means to them and to the individuals they support. However, we are operating in an environment in which budgets are dwindling. As I said, local authorities are predicting a 3 per cent decline in their budgets. Quite often, organisations deliver services on behalf of local authorities or in partnership with local authorities. That 3 per cent decline at a local government level is exponentially increased when it comes to third sector budgets. Many local authorities are passing on a decrease in funding to third sector organisations that is greater than 3 per cent.

Welfare reform is coming. Demand for the services that the third sector delivers are already increasing, yet budgets are tightening and staff numbers are coming under pressure. We would be keen for there to be further support for the third sector. One of the good things that the third sector does is innovation—it often manages to do more with less. However, that is by no means a call to cut our budgets.

If we are to tackle the impacts of welfare reform, we have to work in partnership and find ways of enabling the third sector to work alongside local government and national Government instead of being seen as something that will pick up services that have been dropped at the other end.

The Convener: Obviously, if you do not have the income, you will not be able to do that.

Dr Somerville, your submission says:

“Everyday requirements cost 10% – 20% more in rural than urban areas.”

That is an important point. Some of the areas that NHS Highland covers are extremely sparsely populated. Many of us have rural or partially rural constituencies, and I am sure that members will consider that point further.

I liked the content of your paper, but I wanted to ask about the issue of quantifiability. You say:

“An extensive review of the literature carried out by NHS Highland demonstrates that illnesses in adults and children

requiring inpatient care are likely to increase as a consequence of the health impacts of the Welfare Reform Act.”

The paragraph goes on to make quite clear where the impacts will be. The last paragraph says:

“We are concerned that the Welfare Reform Act represents a significant but unquantifiable area of financial risk for NHS Highland.”

I realise that it is difficult for you to put a precise figure on the impact, but if the Government and local authorities are to prepare effectively and respond, they must have a steer on what you are anticipating. What work has NHS Highland done to try to quantify the impact, even if you are using fairly wide parameters?

10:15

Dr Margaret Somerville (NHS Highland): I take the point. We could have pointed to documents that say how much the obesity epidemic, cardiovascular disease, cancers, mental health issues and so on cost the health service. For example, antidepressant prescribing for a year costs us well over £1 million. In trying to assess the impact on costs of an increase in mental health problems, which we might expect, we have to factor in not only the potential increase in antidepressant prescribing and other treatment costs but the impact on general services, such as primary care services.

We do not normally put figures on the cost of individual conditions per general practitioner consultation, for example. We could give you alarming figures about the cost of individual conditions, but we know that, if we added up all the figures, they would come to much more than the health service budget, because of the overlap and duplication between various conditions that are treated by generic healthcare workers.

There are a lot of other pressures that will affect how things develop. It was interesting to hear from the two previous speakers. A difficulty for us in anticipating the impact is that we do not know what people will choose to do if their income reduces. We know that people might have to choose between buying food and heating their houses. Different choices will have different impacts on health services. If people buy cheaper food, it is likely to be less healthy, which might fuel our obesity epidemic. If they preserve their diet but heat their homes less, there might be an impact on the conditions that we see in children and adults that are the result of living in cold and damp housing—that is an issue in remote and rural areas. We cannot quantify such impacts.

We have talked in previous submissions about the difficulty of knowing which way people will go. We do not know how the impact on health-risk

behaviours will play out. People might carry on smoking, perhaps at the expense of other aspects of their daily living requirements, so we might have difficulty reducing smoking. It might seem paradoxical, but someone who is dealing with stress might turn to smoking, alcohol or drug abuse at the expense of paying the rent. That is why we have held back from giving you an idea of the financial impact, which will depend on how people choose to behave and on what happens in other sectors.

The Convener: Much of what you talked about in your paper and just now is not about the immediate impact. There will be impacts in the short, medium and long term. An impact on cancer rates is not likely to have an effect on your budget next year or the year after, but there might be an impact 10 or 20 years from now—I am following the logic of the conclusion of your literature review.

I want to get a feel for the impact in the short to medium term, simply because there might be ways to address a sudden increase in health board expenditure, if budgets allow. It is difficult for Governments to respond effectively to health boards' calls for more money when impacts are not quantified.

Dr Somerville: From the public health point of view, there will be a major impact on inequalities. We have a lot of initiatives to try to reduce inequalities. The health service is doing its best to contain costs across the board, and our drive on the preventive spend agenda is very much about keeping people out of hospital and in their own homes.

David McColgan mentioned the impact on carers, which is a particular issue for us in remote and rural areas. The interconnectedness of the various issues that you have heard about is significant. For example, will the housing benefit changes impact on carers' ability to care for people in their own homes and in their own localities? If that is the case, it might lead to a rise in emergency admissions among elderly people, because we cannot put into place the anticipatory care plans that we have been working very hard to implement in NHS Highland to help to keep people at home. That is another downstream consequence of the issues in the voluntary sector and in housing that may impact on us.

Although we are looking to contain the cost, our agenda is to support people at home in their communities. For us, tackling inequalities to build community resilience is fundamental to helping to keep people healthy. I agree that it is not only about the immediate consequences in the next few years. We are looking 10 or 20 years ahead, when the health service already faces a demographic time bomb in looking after our elderly population. If we cannot keep young and middle-

aged people healthy now, we will be even less able to deal with the consequences of the dramatic increases in the very elderly population in another 10 or 20 years' time.

The Convener: Thank you. Committee colleagues will now ask questions.

Paul Wheelhouse (South Scotland) (SNP): Dr Somerville touched on one of the subjects that I was going to raise. As the convener rightly pointed out, a number of us have a rural constituency or region to look after. I will pick up on a couple of points in Dr Somerville's submission that relate to the fact that there are lower incomes in rural areas. We know that carers are particularly vulnerable in terms of having low incomes in any case. Many members of the committee have expressed the view that the provision for carers is inadequate as things stand.

I want to explore the negative impact that is caused by a reduction in the quality of care provided to individuals who have health problems and the financial impact that such a change can have on health providers. Could you compare the hypothetical cost that is involved if someone is able to stay in their family home, with the support of loved ones, with the cost of having to put someone into a more institutionalised setting because the quality of care available to them in the outside world has been diminished by some of the changes that are taking place? Is a much higher cost incurred to the public purse in the latter case?

Dr Somerville: Yes, it is. I have alluded to the fact that we know that, for all sorts of reasons, emergency hospital admissions by the elderly are not governed only by the clinical severity of the condition that they present with but are usually determined by their social circumstances.

We can put in a lot of support at home to deal with an exacerbation of an existing long-term condition. For example, a worsening of a respiratory condition can be treated at home if we know that there is someone who can provide care for the person at home. The sums involved are huge but it is difficult to quantify the amount of money that is saved by the health service because an informal carer, who either lives at home or lives close by, is able to look after someone through an acute episode of illness that might otherwise result in us, in conjunction with social care, having to put in a specific package of care to support them at home through the provision of either assistance with the activities of daily life—in the short or long term—or specific healthcare. The presence of a carer leads to a variation in the professional support that someone would want at home.

A worsening of a long-term condition might also result in a hospital admission. We know that once

an elderly person is in hospital there is a tendency, despite our best efforts to limit the treatment to what is needed for that particular acute condition, for all sorts of other things happen, so admissions get prolonged because of other conditions that arise. When we come to discharge people home, our concern is about who will be there. People might have to stay in hospital for longer so that they are fitter when they come out, or we might need to put in place a short-term or long-term support package to help people at home. Alternatively, we might decide that someone cannot go back to their own home, which means looking at institutional care.

Paul Wheelhouse: Given the point that David McColgan made in the SCVO's submission about the impact on preventative spending and given what you have just said, would it be unfair of me to characterise the changes as a false economy? Welfare is a huge part of public spending, but we are talking about cutting relatively small amounts that are paid to individuals, which could have huge consequences for public sector costs down the line.

Dr Somerville: That is absolutely right. Treating the consequences is always more expensive than putting in place preventative spend upstream.

Paul Wheelhouse: I will turn to housing issues, on which I will draw in Dr Taylor—I know that Dr Somerville has commented on such issues. I am thinking predominantly about rural communities, because they face a different dimension. We know that, when people in rural communities look for a house, some already face the choice of having to move 10, 20 or 30 miles away from where they grew up or have lived and where their support network is to find an available property—people are forced down a particular route.

According to what Dr Taylor and Dr Somerville have said, that situation might worsen, and further complexities that relate to underoccupancy and the amount of housing benefit that is available might make people's choice even starker. What impact would that have on the social fabric of rural communities? I appreciate that you cannot at this stage quantify the impact, but could such a situation have a discernible impact on mental health and other negative social outcomes for the individuals involved?

Dr Taylor: Third sector providers and our members face a case load of increased concern and anxiety about what the welfare reforms mean in general, which is evidence of the increasing concern to which you refer. That is no less present in rural areas than it is in urban areas—it is a problem everywhere.

Distances in rural areas compound the problem. We had an interesting and perplexing example of

someone in the Highland area who felt that she could not continue to live in the family home, which had two spare bedrooms, because of the impact of the cuts—they were potential cuts at that time—on her living circumstances. She looked in the Inverness area for alternative accommodation and found that she could access private accommodation, but at a higher cost to the public purse, because private rents were higher than social rents for larger properties. No smaller properties in rural areas were available to that individual.

In general, the social sector has not built a huge amount of smaller properties, because the emphasis has always been on creating homes that are flexible for the life of a family. Properties are not just houses or shelter—they are homes for a lifetime. The idea is not just to have one bedroom now, because a person might have an elderly relative staying with them in two years' time, or a teenage child might return home after losing a job somewhere else. We can imagine all the possibilities.

People in Scotland are not being required to leave properties—that is a feature of housing policy in England, where people are being incentivised or encouraged to move. People in Scotland might want to move because they feel that they cannot afford to stay in their house as a result of the financial penalties that are being imposed, but moving is not a requirement. Making that distinction is important.

Paul Wheelhouse: People might not be required to move but, in effect, many people have Hobson's choice.

Dr Taylor: The choice is very difficult. I wonder whether anything precludes a body such as NHS Highland from helping with living expenses, if that keeps somebody in a home and allows them to continue to care for somebody. That might just need to stick to the wall for now, but the question is interesting. If we took the preventative spend agenda seriously, and if a small amount of money—perhaps £20 a week—helped someone to stay in a home and care for someone, we can think of the preventative value that that would have. We have not really explored that; I know that raising such issues is a high risk in this kind of arena.

10:30

Paul Wheelhouse: Another dimension of rural economies is that many people depend on self-employment. In some cases, that is income substitution because, given the state of the economy, people have come out of full-time employment and have had to become self-employed. They perhaps earn modest incomes,

might rely on housing benefit to make ends meet and could be in a property that has a spare bedroom. I am painting a picture that might be entirely hypothetical, but if there are individuals in that situation, they may use that room as their business space. They will face a difficult decision as to whether they can justify keeping a larger property. Does that situation present any problems, particularly for tenants in the social rented sector?

Dr Taylor: It will do. The draft universal credit regulations were published last Friday, after we had put together our submission for this meeting. The draft regulations raise a definition of a bedroom. That was explored during the legislative process in the House of Commons and the House of Lords, but the draft regulations are based on Department for Communities and Local Government and Department for Work and Pensions negotiations about what constitutes a bedroom, who is eligible to occupy how many bedrooms and so on. Offices for people who are self-employed do not count as bedrooms. However, the regulations are draft and comments are invited on them. The question of when a bedroom is not a bedroom is one that we will explore carefully in the next few weeks during the window of opportunity to comment on the regulations.

I have another point about the extra cost burdens. My understanding is imperfect on this, but there is an agreement between London and Edinburgh about the impact of extra costs for the Scottish budget arising from welfare reform and other aspects of UK legislation. If there are knock-on consequences of the kind that Margaret Somerville outlined, we need to monitor those carefully. That might be relevant to discussion later on. We need to know what we are spending at the moment, on what, and what impact that has. That must be tracked carefully. If we do not capture that information, we will not be in a position to prove a case about extra cost burdens.

Paul Wheelhouse: Dr Somerville, you state in your written submission:

"We acknowledge the Department of Work and Pensions' (DWP) calculation that Universal Credit is likely to result in either no change or a slight increase in income for the majority of claimants, but DWP has confirmed to us that the baseline for this calculation assumes that prior benefit reductions within the Act will already have taken place."

That latter point is important. Can you expand on the scale of prior benefit reductions, or the drop in the baseline, if you like? Can you quantify that?

Dr Somerville: Sorry, we are looking at—

Paul Wheelhouse: It is just towards the end of the third paragraph of your submission.

Dr Somerville: Yes. I am sorry, but I cannot call to mind what that immediate reduction is likely to be. Our view was that income would stay about the same after universal credit reapportioned it. I think that I am right in saying that the current overall reduction as a result of what has happened already is probably in the order of 10 per cent, but I will have to get back to you on that.

Paul Wheelhouse: That is helpful. We are aware that there is a 10 per cent change in the council tax benefit when it comes over to Scotland. I wonder whether any of the witnesses have an idea of the scale of the overall sum.

David McColgan: The top-line figure that is bandied about is that welfare reforms will result in a £2 billion reduction for the Scottish economy, so there will be £2 billion less coming to people in Scotland. That is obviously divided as a 10 per cent reduction here and a 20 per cent reduction there. However, £2 billion is the figure for the total reduction for Scotland that is often raised and which was given in previous evidence sessions.

Paul Wheelhouse: That ties in with Dr Taylor's figure of £220 million.

David McColgan: Yes.

Dr Taylor: That would be about right, because we house approximately 11 per cent of the population.

The Convener: That is obviously where the £220 million figure came from.

John Mason (Glasgow Shettleston) (SNP): Mr Wheelhouse touched on the idea of underoccupancy. Dr Taylor said that the rules and regulations were not all set in place and were still being investigated. I wanted to ask about how fixed all that is.

There was some indication of flexibility around situations in which an extra room was required for a disabled person or a child who needed to store equipment in it. Is there a suggestion that, if someone had to move 50 miles to get an appropriately sized house, the DWP would accept that that was not possible? What about situations in which nothing is available? I think that the Glasgow Housing Association is going to start building one-bedroom houses, but they will not be available soon, and constituents are already asking me about the issue.

Dr Taylor: I think that the DWP will set the rules. At the moment, they are draft regulations, and there is a provision for people who require a carer to have an extra room. People are welcome to comment on the regulations and raise concerns—Mr Mason can make comments through us, or the committee can make comments independently.

The regulations will define the rules according to which the claimants will be assessed. However, as David McColgan has mentioned, the whole application process is being handled online and I foresee there being no discretion in these situations. That is one of the key differences between local administration based on local knowledge, which creates a situation in which representations can be made, and a highly bureaucratic online system. I would not like to bring "Little Britain" into this, but you can imagine what the catchphrase might be.

John Mason: Theoretically, the DWP's plan seems to be that, every time a family's size changes, someone will have to move house. If a couple splits up or a teenage child who is living with one parent goes to live with the other parent, people will have to move house, which is extremely stressful, apart from anything else.

Dr Taylor: As I said earlier, they would not have to move, but there would be financial penalties on them if they did not.

John Mason: For a lot of people, that would mean that they had to move, because they do not have the money.

Dr Taylor: Yes, in practical terms.

John Mason: The SFHA paper made a point about local expertise. Paragraph 6.3 says that

"direct payment of Housing Benefit direct to social landlords is very administratively efficient",

and goes on to say:

"We would wish to discuss with the Scottish Government the potential for local administration of Universal Credit".

Is that something that the Scottish Government has any power over, or is that purely a matter for the DWP?

Dr Taylor: The Scottish Government has no power over that matter. The proposals involve the DWP making assessments of online claims from all applicants across Great Britain and possibly Northern Ireland. There will be no local administration. The other day, we clarified that there will be telephone hotlines, but it is unclear where they will be based, what degree of local knowledge people will have, whether there will be freephone numbers or how advocates might represent people who are not able to make their own case.

In the informal discussions that we have had with the DWP, it is becoming much clearer to me that the migration from the predecessor agencies and benefits system into a single online system represents quite a challenge for the DWP. One of the biggest challenges for it is the area around council tax benefit and housing tax benefit, which are administered by local authorities. The DWP

sets the rules, but everything is administered locally.

John Mason: Last week, we heard a suggestion that all that the current housing benefit or council tax officer could do would be to phone up the DWP on behalf of the resident.

Dr Taylor: Yes. The comment that you quoted was made in the spirit of posing a question about whether we have turned all the stones—I would hate to leave any stones unturned. What came through to me from the evidence that was given to you last week was the consistency between the arguments that you heard then and the argument that we have been making, which is that local administration by councils is hugely valuable and, if there is any possibility of retaining that in any shape or form, we would want to encourage exploration of that. That is all that we are saying. It is not obvious to us how that would happen, but it is worth asking the questions, bearing it in mind that this will be one of the most challenging areas for the DWP, which proposes to introduce the system with effect from next year. As I keep saying, there are many uncertainties and unknowns.

John Mason: Despite the fact that a lot of this is happening next April.

Dr Taylor: Indeed. The implication is that our sector cannot advise its tenants about exactly what the arrangements will be and it cannot put in place plans to mitigate the effects because there are so many uncertainties.

John Mason: I presume that the third sector cannot give specific advice at this stage, either.

David McColgan: That is absolutely right. The issue is not just about carers associations or citizens advice bureaux; a large number of advocacy groups are trying to give advice to the individuals who approach them. All that we can say at present is that things are not certain. Until the universal credit regulations are published and we understand what they mean for individuals, we cannot give hard advice. That is one of the main challenges. The changes are coming soon, so there is a bit of frustration that, at present, we just cannot help people to prepare for them.

John Mason: The issue of housing association reserves keeps coming up and is mentioned in paragraph 5.9 of the SFHA submission. Do housing associations simply have a vague pot that they call a reserve, or is the money for an exact or defined need in future?

Dr Taylor: Most of the reserves are designated reserves, which means that they have been set aside for future maintenance of stock or renewal and improvement of stock. The basis on which the calculations have been done since about 1974—

although it was adjusted in the late 1980s—has allowed a rent to be set that allows for the on-going maintenance and management of houses; for bank interest to be paid; and for a fund to be set aside to smooth out the peaks and troughs of demand in asset management and the long-term maintenance of stock, so that the asset has a long life, which is exactly as it should be. The reason why housing associations own many properties is that either the public or private sector failed to take that approach. It would be a travesty and would waste the legacy of housing associations to raid those designated reserves and to use money that has been designated for asset management for other purposes.

John Mason: So there are no great free reserves in housing associations.

Dr Taylor: There will be small amounts of free reserves, which will vary hugely from one association to the next. However, in general, the vast amount of the existing reserves are designated reserves.

Elaine Murray (Dumfriesshire) (Lab): I, too, am interested in the suggestion in the SFHA submission that we might be able to disaggregate the housing benefit component and make payments to landlords. However, I cannot quite understand how that would work. If the payment is to the individual, I cannot understand how the Scottish Government might be able to arrange for a portion to be disaggregated.

Dr Taylor: As I said, that is a possibility. We had not considered that possibility previously, but it is worth exploring as we move closer to the date when the changes are introduced, although it might lead nowhere.

Elaine Murray: I just wondered whether you have a suggestion that we could make to the cabinet secretary at the evidence session next week as to how the mechanics might work. It sounds like a good idea to me, but I do not understand how, as the payment is to be made to the individual, the Scottish Government could remove part of it and pay it to somebody else.

Dr Taylor: The idea might require further discussion. As I said, the suggestion is posed as much as a question as anything else, and in the spirit of exploring all the possibilities to minimise the damage. As things stand, you are right that the payment will be made to the individual. I emphasise that, as far as we are aware, when an applicant for universal credit gets the gross amount for which they are eligible, they will get a breakdown of how the payment has been arrived at but, if there is any adjustment because of a cap or earnings, they will see only the net amount, so those people will not have any idea of what the payment is for.

Elaine Murray: Am I right that, for recipients of pensionable age, a payment will still be made to the landlord?

Dr Taylor: Yes; that arrangement will stand.

Elaine Murray: There is a mechanism that allows that to happen.

Dr Taylor: There is an existing mechanism that works. Our suggestion is born of an emphasis on the efficiency of the existing arrangements. Ninety-six per cent of tenants currently choose to have their rent support paid directly to their landlord without going through their personal financial arrangements. We think that that is a responsible choice. The system is very efficient, and it ensures that rent support gets to the landlord. The new system will change that and we are trying to ensure that we have not missed anything. That is the spirit.

10:45

Elaine Murray: There is the possibility of looking at whether the arrangements for people of pensionable age could be applied in some way in Scotland.

Dr Taylor: Indeed.

Elaine Murray: In last week's evidence session, I was quite concerned to hear that the DWP is making the assumption that 80 per cent of people will be able to apply for their benefits online and that there is no statutory duty on local authorities, or anybody else, as far as I understand, to provide advice and assistance to the 20 per cent of people who it is assumed cannot apply online. It seems pretty unrealistic to me that 80 per cent of people have access to the internet. In many parts of the country far fewer people than that have access to the internet, either because there is not the infrastructure for it or because they do not have the confidence to access it. It seems pretty unrealistic that the advice sector and the voluntary sector will be able to help. From what I have seen in my constituency, there is already a great deal of pressure on citizens advice bureaux and welfare rights organisations from people asking for advice.

David McColgan: I think that somebody who gave evidence last week said that 80 per cent of people will not apply online on day one. That figure is the aspiration, but we must consider people's access to a computer and their ability to use the internet and fill out a form. No one has seen what the form will look like, how complicated it will be or what questions will be asked. There are issues to do with rural communities' access to broadband—people may still use dial-up services. Some people may never have used a computer or the internet before. Expecting an individual whose experience of the internet is very limited to walk

into a public library or somewhere else and say, "I need help to do this" will be hugely stressful for that individual.

Obviously, the third sector sees that it could help out in the area, but we do not have things already set up, and that is not easy to do. There are dwindling budgets and there is more pressure on staff in considering other areas of welfare reform and other issues. There is a real concern about how to help individuals to access benefits in the first place, never mind what they will lose through welfare reform.

I know that a number of organisations are speaking to local authorities about how they can support individuals. They are taking the initiative off their own bat and are getting on with it. I suppose that the third sector is really good at that, but for it to be absolutely effective in Scotland, we need a third sector, local government and national Government initiative to support individuals. Obviously, the digital participation agenda is on the rise, and it will certainly feed into people's ability to apply for benefits, but there is real concern about what things will look like and mean on day one. I would not be surprised if citizens advice bureaux across the country were inundated with people coming in to ask for advice. That is a real concern.

Elaine Murray: The other problem is to do with people making mistakes online. If a person makes a mistake in conversation with somebody, that person can say, "That figure can't be right" and assist so that things are done correctly, but somebody could end up losing a lot of benefit if they make a mistake online. All sorts of issues could arise for them simply as a result of having typed something wrongly.

Dr Taylor: A number of housing associations currently have welfare rights advisers who assist tenants with income maximisation and ensuring that claims are correct and are put in on time. Some of that work is funded from rental income and some is funded from what used to be known as the wider role fund, but is now the people and communities fund. Associations will already be working to ensure that they have front-of-house online systems for tenants to be able to apply in future. That kind of support service will continue to work, but we made the point in paragraph 6.2 of our submission that the Scottish Government could help with some of the costs to ensure that there are opportunities for digital inclusion, broadband in people's homes and better broadband in rural areas.

Gavin Brown (Lothian) (Con): My first question is for Dr Taylor. In your submission, you refer a number of times to the Scottish demonstration project, in which SFHA has taken a keen interest. Can you update us on where that

project is and when we are likely to learn lessons from it? What are the timescales?

Dr Taylor: It starts next month. There are six demonstration projects across Great Britain. The one in Scotland is in Edinburgh. It involves only housing association tenants and only those who will be of working age throughout the project—in other words, those who are under 59. They have all been communicated with already and are being advised by the housing association.

There are three research projects running with the involvement of Ipsos MORI, Sheffield Hallam University and the University of Oxford, all of which are monitoring and quantifying the impacts of the changes on households, in particular. They are conducting in-depth, qualitative interviews with people about the impact on the way in which they manage budgets and so on. The detailed research might not be available until the end of August next year. The full system is due for implementation two months later.

Gavin Brown: Thank you. In paragraph 1.3 of your submission, you say:

"Restricting the present system of payment of the housing support element direct to social landlords makes the collection of rent more costly, less efficient and more precarious."

Do you have a sense of how much more it will cost to collect rent and how much less efficient and more precarious the new system will be? Has the SFHA done work to quantify what the risk might be for various housing associations?

Dr Taylor: That is work in progress. We know that if tenants on low incomes do not have a bank account or are not involved with an organisation such as a credit union, there will be no mechanism for them to get the payment and pass it on to us. We need to look at alternative mechanisms. Post office accounts might work, but there are problems with them. PayPal might work, but it is very costly. Credit unions do not have technical facilities for doing some of what is involved.

One reason why the new system will be more costly is that it individualises the process. One reason why the present system is efficient is that it involves batch processing. Because it operates electronically, it is possible to go back and check that everything that should have happened did happen and iron out any discrepancies. From a systems perspective, it is extremely efficient.

Any difficulty that is experienced in the rent collection process has a knock-on effect for rent arrears. I think that that deals with the points about cost, efficiency and precariousness.

Gavin Brown: I have a couple of questions for Dr Somerville about effects of the Welfare Reform Act 2012. In your submission, you suggested that

health-risk behaviours such as smoking “may increase”, but that alcohol use

“may decrease due to lower spending capacity”.

Will you explain why welfare reform might affect smoking and alcohol use differently?

Dr Somerville: That encapsulates some of the uncertainties that have been discussed. There is good research that shows that people on low incomes will preserve smoking at the expense of other activities. That is assumed to be a response to stress. Only when the sources of that stress—which might include housing insecurity and other concerns—are tackled do those people feel able to give up smoking. I am not sure that we are necessarily talking about people taking up smoking, although that might happen; it is much more likely that people will find it much more difficult to give up smoking and might smoke more, which, given that they are on a limited income, will impact on food and other items.

The same mechanisms might come into play in relation to alcohol use. Mary Taylor went into detail about whether people who—paradoxically—will have more disposable income, because they will be paid benefits directly, will choose to spend more on alcohol or illegal drugs.

Gavin Brown: You said in your written submission:

“alcohol use ... may decrease due to lower spending capacity”.

Dr Somerville: I was coming on to that. We know that alcohol consumption is closely linked to affordability and price, so an effect of a decrease in disposable income is that alcohol consumption will go down. The introduction of a minimum unit price, which we welcome, is based on the connection between price and consumption, which is well documented nationally and internationally.

In that context, the glass is half full—sorry—in that we might see a beneficial impact. However, we cannot have certainty about that, because the impact will depend on a mix of factors that will emerge, such as people having more income at their disposal. If alcohol is more expensive, the effect of an increase in disposable income might be mitigated. Predicting the effect on health-risk behaviours is complex.

Gavin Brown: You said in your submission that an impact of the Welfare Reform Act 2012 could be an increase in

“unprotected sex in adolescent girls”.

Will you explain the connection?

Dr Somerville: We know that teenage pregnancies are closely linked to socioeconomic status. The problem is very much confined to the most deprived sections of the population. If there

is an increase in the number of people in the lowest socioeconomic group, there might well be additional teenage pregnancies.

That will perpetuate the cycle of deprivation, because we know that babies who are born to teenage parents absolutely have a worse start in life. They are likely to be of lower birth weight and their mothers are less likely to breastfeed and to be able to care adequately for them. We need to support early years development, which gives people a good start in life and ensures their good health in later life, and supporting teenage parents is particularly difficult, because an enormous amount of support is needed.

We are considering the possibility of adverse impacts in that regard. Maybe we were not right to talk about an increase in unprotected sex; it is about girls choosing to keep their babies, which means that there are more teenage pregnancies and young parents.

Gavin Brown: I found the connection strange. Has a study demonstrated such a connection, or does the national health service just have a hunch about it?

Dr Somerville: There is supporting work, although I think that the evidence is circumstantial. If you want more detail, I can send you references of papers that consider the complex interplay between socioeconomic circumstances and teenage pregnancy and what happens to babies who are born to teenage parents. It is difficult to say that one causes the other, but there is a strong association. As with other health-risk behaviours, it is tricky to predict impacts.

Mark McDonald (North East Scotland) (SNP): I was going to talk about underoccupancy, but most of the issues have been covered. It is clear from the evidence that we received last week and this that an approach to problems in London will have a detrimental impact in places that are far from London, particularly our more remote communities.

Dr Taylor, you mentioned housing association reserves for maintenance and other costs. You said in your submission that you expect a significant increase in rent arrears. How will that impact on housing associations’ maintenance regimes? I suppose that maintenance requirements will vary, particularly where there has been stock transfer.

11:00

Dr Taylor: The failure to collect rent and arrears will impact on organisations’ cash flow, with three potential consequences. One, as you rightly identified, is the impact on maintenance programmes. There is routine maintenance and

there is long-term planned maintenance, which is what designated reserves are there for. If there is no money to go into the reserves, no pot will be built up for the future, and the amounts for current maintenance could be compromised. Another key factor is that rent goes to pay for bank charges, which are governed by interest rates and associations' exposure to debt. Stock transfer associations typically have high debts to start with, so that is a problem. The third aspect is that associations employ staff to manage properties and get access for new tenants, and to make sure that vulnerable tenants are supported, tenancies are sustained and houses are maintained. Those things are all part of the management of maintenance. Any interruption to cash flow can impact on any of those three major aspects.

Mark McDonald: We spoke to local authority colleagues last week. They spoke about the need for a new collection regime that would go back to the old system of going round the doors, which I presume would significantly increase the staffing requirement. At the moment, I imagine that you have a couple of administrators in the office who make sure that money comes in electronically, but housing associations may now have to employ people to go out and collect rents from tenants directly. Do you foresee that having to happen?

Dr Taylor: I started off my career as a rent wife in Aberdeen, going round the doors and doing that kind of thing. The amounts of money that people had, and the amounts of money that they gave in rent, were very different from the amounts that we are talking about now. The value of rent collection is quite high, so there would be serious issues about the personal security of anybody collecting rent door to door. For that reason, I am not hearing anybody in the sector talking about putting in place significant door-to-door collection systems. I am hearing about people talking to credit unions and trying to get banks to provide different products to people who are on very low incomes. There is also talk about things such as PayPal and Post Office accounts and finding different ways of collecting rent.

Mark McDonald: At the moment, the money goes directly to the housing association, rather than via individuals. Some people may not have access to the internet and may not be savvy about setting up payment schedules. How do we ensure that those people are able to pay their rent when they do not have those kinds of means available to them?

Dr Taylor: Digital inclusion should help, which is why we are calling for more support for that. The other thing would be for banks to make accounts available to people who are on low incomes. The experience that we often get from various sources is that banks are not interested in tenants,

because of their low incomes. Also, tenants are fearful of taking out bank accounts because of the charges that are levied—that is not to do with internet dependency. There is a good distribution of banks, but if people do not have enough money for their outgoings, they will go into overdraft, at which point charges start to apply. People are fearful of that.

Mark McDonald: Thank you. You have identified an interesting point about the role that the banking sector has in smoothing some of the transitions.

Mr McColgan spoke about the pressures on the third sector. There is often a difficulty when the third sector brackets together a huge range of organisations. Some organisations have multimillion-pound turnovers and large amounts of money in reserve, and will not be as adversely affected as some of the smaller organisations, which have three or four members of staff and perhaps survive on a shoestring. Is the SCVO doing any work to differentiate which organisations or sectors are more likely to be at risk as a result of the changes?

David McColgan: That is a valid point. The third sector is quite like the banking sector in that 7 per cent of third sector organisations account for 95 per cent of the turnover of the sector. You gave the example of the charity with the multimillion-pound turnover. That is not the case in Scotland, where 93 per cent of sector organisations are small, community-led organisations, many of which are starting to dip into their reserves to deliver services. A lot of those organisations exist for a cause that they believe in; they do not exist for profit. In fact, they are more likely to dip into reserves to deliver services that they see as vital to communities.

On the issue of differentiating the sector, many of the organisations that are picking up the welfare issues are small, community-led organisations. We are talking about the social enterprise cafe whose purpose is to give money advice but whose cafe helps it to exist. Although we have the big charities working in the sector, it is the very small organisations that will be seriously harmed by welfare reform and will see demand increase.

Going back to earlier comments, I think that it is about local organisations and local communities helping local people. We are not talking about big organisations parachuting into areas that need help. I think that it is about the organisations that already exist to support individuals, often on very small budgets. They do not have the multimillion-pound bank accounts; they have a very small turnover. Those are the organisations that will really be harmed when they start to see an increase in demand for their services.

I was speaking to someone the other day who informed me that three or four food banks a week are opening in Scotland. Food banks are run not by big national organisations but by small communities coming together to support the most vulnerable within those communities. That is really what we are getting at in the third sector. Although there will of course be an impact on the big advocacy and advice organisations such as the citizens advice bureaux, we must look at how we can better use local expertise to support individuals.

Mark McDonald: Do you see a role for third sector organisations working much more closely together, for example in consortia—particularly at the micro level—where there is a common cause or overlaps? Might that help to mitigate some of the impacts that you describe?

David McColgan: Absolutely. That is a key point. The third sector has been very good at coming together and creating consortia. The biggest example of that is the community jobs Scotland initiative, which has more than 500 organisations delivering in the 32 local authority areas. That is what the sector is about—it is about innovation and coming together. In a time of crisis in demand, that sort of approach will be very popular. We would encourage the sector to come together to support that kind of approach.

I stated earlier that what is needed to tackle the effects of welfare reform is not the third sector, local government or national Government; it will be everyone in Scotland. We will be stronger if we work together to tackle this.

Mark McDonald: I have what might be a big question for Dr Somerville. Your paper has identified what we would refer to as known unknowns, in that we know that something is coming but we do not quite know what it will look like. What can be done to prevent or mitigate the outcomes that we have talked about, or is the issue essentially that these things will happen but we just do not know their severity?

Dr Somerville: I would absolutely agree with you that we have the known unknowns. To be honest, the steps within the health service are perhaps less important than the discussions that we are having elsewhere. The real mitigation comes upstream—it is about preventative spend, how we are supporting communities and how we are reducing inequalities. It is initiatives such as fairer Scotland and equally well that will support people in their communities and help them to manage their more limited finances. The social disruption to families that we are expecting will lead to an unquantifiable increase in pressure on primary care services.

Upstream services can do a huge amount. If we organise the voluntary sector to support us and get community resilience, which is in essence what David McColgan has talked about, that will reduce the impact on health services. The effect is obviously difficult to quantify, but we are clear about the connections. I have talked about the trend in the health service of trying to do the upstream preventative work in primary and community care to avoid the downstream health consequences.

For example, an issue that we are concerned about is people having poorer diets because they choose to eat cheaper, less healthy food. We are already struggling to tackle the obesity epidemic. If we do not want to invest further in downstream services such as bariatric surgery, which is a huge pressure in the service at present that is likely to increase, we should ensure that we invest upstream. In that case, the issue is what we do to make healthy diets cheaper and how we support food banks and food co-operatives to deliver fresh fruit and vegetables in rural areas. We know that that is a major issue in rural areas, because fruit and vegetables cost more and are more difficult to keep because of their short shelf life. That support would be key to helping people have a much healthier diet and would prevent the downstream consequences. That is one example of how our public and voluntary sector partners could contribute to a reduction in health service costs.

I have not talked much about mental health issues, but we expect an early impact on mental health services and particularly on primary care services. Again, we need community resilience and support. Uncertainties and unknowns produce stress in people, which leads to depression and anxiety. That will have an impact on primary care and on our mental health services. If we can give people clear advice and ensure that they get everything to which they are entitled, that will reduce the impact on their mental health. We therefore support that work, as it reduces the impact on services while supporting the equalities work that we are already doing.

The Convener: I have a couple of questions just to finish off. Dr Taylor, I have never heard the phrase “rent wife” before. I do not know whether it is an Aberdeen expression.

Dr Taylor: It is.

The Convener: You talked about the impact on the rental stream. Obviously, housing associations are keen to keep up the levels of maintenance and investment in new properties. Is it therefore possible that some housing associations will consider raising rent levels more than they would otherwise do?

Dr Taylor: A recent survey of our members showed that associations are raising rents at an average of 4.7 per cent. Some of them have contractual obligations that require them to increase rents at inflation plus. Sometimes, the contractual obligation is to increase rents at RPI plus, which is why the wedge between that and uprating benefits based on the CPI is an important issue. The obligations are sometimes to do with covenants to banks to ensure that there is rent growth, that the rent is paid and that there is an income stream for the banks to get their return.

Sorry, but I have lost the thread.

The Convener: I asked about the potential impact on rent levels. I am aware of the contractual obligations that you mention. Glasgow Housing Association provides an obvious example of that, but not all housing associations have such obligations. I wonder whether the issue is being considered. Are the banks putting pressure on associations to revisit the levels?

Dr Taylor: The banks are encouraging associations to revisit the levels, but that is for a different reason, which is so that they can lend at higher rates than at present. The banks lent a lot of money to the sector in 2007 before the credit crunch. The colloquial expression that the banks use is that they are lending below the waterline. If they have opportunities to reprice their lending books, they will take them. That would have a natural impact on rent levels. Associations are trying to ensure that they avoid repricing if possible, for reasons of self-preservation as much as anything else, and to keep rents at affordable levels. We pride ourselves on being able to keep rents affordable to people. Putting rents up unnecessarily at a time when wages are being cut and people are losing jobs, and when there is benefit reform that is impacting on households, is not the most sensible strategy. As I said earlier, that is work in progress.

11:15

The Convener: There is always the question of whether you have to as opposed to whether you want to, which we are trying to explore.

Dr Taylor: Indeed, but there is the classic problem: if you are not getting your money in, does putting up the charge that you are making for something increase your income?

The Convener: One reason why there was a deterioration in the number of tenants who were in council stock in Glasgow was that the rents were higher than the rates that people were offered for mortgages at the time. People got mortgages instead, and we ended up demolishing thousands of houses as a result of that and other reasons.

In paragraph 5.7 of your submission, you state:

“increasing insecurity of revenue streams will compel lenders to increase the cost of private finance.”

In paragraph 5.8, you go on to say:

“Not only will the availability and terms of private finance constrain the ability of the sector to sustain much needed new and genuinely affordable housing supply, but it will also impact on the funding of retrofit to existing stock.”

Can you say a wee bit more about what you see as the likely impact in that regard? You have already talked about the likely impact of welfare reform on financing.

Dr Taylor: Associations will typically be financed from rental income and from borrowing—the rental income pays for the borrowing. The borrowing could be used for new build or for retrofit to existing stock, which might involve insulation and energy efficiency measures. There will be reserves to help with that. Each association has its own pattern, because each has its own history and balance of historical factors. If reduced cash flow starts to interrupt the ability to pay for maintenance, there is a knock-on effect on the availability of reserves, the ability to borrow and therefore the availability of money to do any of the work that is required.

The Convener: Will that increase the risk that the banks and other institutions may perceive? That in itself may encourage those institutions to seek higher interest rates, for example, for the repayment of money that they advance to housing associations. Is that likely?

Dr Taylor: Yes, and it is already having an effect. We are in the middle of surveying it at present, so I cannot give you chapter and verse, but we will be happy to share the results of the survey in due course if you are interested.

We are aware of the impact on anyone who is trying to access money to complement the greatly reduced subsidy levels for new housing, which were cut from approximately £70,000 per unit to £40,000 last year. That cut means that less than half of the total funding for any given house is coming from subsidies, so more than half has to come from private borrowing. If one combines that exposure to risk with the fact that the finance sector is facing its own pressures, that means that the cost of borrowing is much higher than it used to be, for much shorter periods of time. It is now unusual for people to get access to funding for more than five years, whereas 30-year funding used to be normal.

The Convener: I met one of the housing associations on Monday; it was talking about a 45-year loan period as it is looking to develop with the private sector. I hope that others will be able to do likewise.

Dr Taylor: Bond finance offers different opportunities; it is becoming of much greater interest in the sector because of the period as well as the rate.

The Convener: Ultimately, however, the Welfare Reform Act 2012 will have a negative impact on access to finance.

Dr Taylor: Yes.

The Convener: I thank you all for your evidence today; we very much appreciate it.

11:19

Meeting suspended.

11:26

On resuming—

Data Collection

The Convener: Item 2 is a discussion on data collection. The issue has been raised in discussion with the committee a number of times over the past year. I welcome to the meeting Antony Clark of Audit Scotland; Roger Halliday, from the Scottish Government; Jim and Margaret Cuthbert; and Jenny Stewart of KPMG.

There are no opening statements, so we will proceed straight to questions. In time-honoured fashion, I will get the ball rolling. I have a question for Ms Stewart first. In your written submission, which we received within the past 24 hours, you state:

“The little cost data that is readily available in the public domain is provided by the Scottish Government but ... the most relevant output data are produced by Audit Scotland. The categorisation of each set of data is slightly different. Thus, it is difficult to compare the cost data with the output information from these sources.”

Can you advise us about what difficulties that actually presents?

Jenny Stewart (KPMG): I had not realised that the paper that I sent to the clerk by way of background had been circulated around the team, but I am happy to take questions on it. The paper was produced jointly by KPMG and the David Hume Institute to assess not so much the data collection area but how performance management in the public sector, particularly in local authorities, could improve. The particular focus was cost information, because that is a difficult area for us.

On your question about the issues that might arise, we find that there are various sources for publicly available information, but it is difficult to match the three important things that I imagine the committee is interested in, which are the outcomes that are being achieved, the cost of the provided service and how we benchmark those against each other.

If we take one of the easy areas in the paper, we can see how much it costs each local authority to collect the council tax, which varies hugely; we can also see how much income is generated from that, so we get an output measure. However, that is more of an exception, because it is quite hard in other areas to work out where cost information is available and why there are such discrepancies.

In areas such as social care, which takes up a large part of the public sector budget, large differences can be seen—for example, cost per care can be something like two and a half times as much in different areas. Clearly, there will be good

reasons why something costs a lot more in the Western Isles than in Falkirk, for example.

11:30

However, the question is why the discrepancy should be so great. If more benchmarking data were available, we would be able to cross-compare performance in local authorities and the NHS much more readily in order to understand those differences. The basic premise of our paper and behind the areas that we chose to examine quite closely is that even a shift to average performance—not even best performance—up to the top quartile can save substantial amounts of money. I realise that this is dull performance management stuff, but it is really important and could release significant resources for reallocation to other priorities.

I am sorry, convener—I hope that I did not go on too long.

The Convener: Not at all. You should not feel constrained in any way.

I have a number of questions for Mr Halliday. In his excellent submission, Professor David Bell says that it is sometimes

“difficult to compare performance across local authorities and across NHS boards”.

Indeed, it is an apples and oranges issue, even in Scotland. Furthermore, he suggests:

“There are strong arguments for producing data that are comparable both to other parts of the UK and to wider international groupings.”

What is the Scottish Government doing to improve the situation?

With regard to Professor Bell’s comment that

“the key issue is establishing the linkage between the spending of public money and the outcomes that such spending is expected to produce”,

what progress are we making in that respect?

Finally, Professor Bell also says:

“There is generally no point in collecting data which government, nor any third party, can usefully use to aid decision making. Scotland has a historical legacy of collecting vast amounts of data on agriculture, which may now lack significant usefulness.”

He has mentioned that issue before. I realise that you have made a very detailed submission, Mr Halliday, but I have to ask you not only what the Scottish Government is doing to improve data collection—and, as people have suggested, to collect more data—but whether it intends to put into abeyance data that are collected for no purpose and, if so, the types of data collection that would be affected.

Roger Halliday (Scottish Government): I am very happy to talk about those matters. First, I must point out that the approach to collecting data on agriculture is different from data collection in other areas because the vast majority of that data is collected to meet European requirements and we face particular penalties if that does not happen. Nevertheless, we have made clear and significant progress with regard to data on farm accounts. By using the payments data from the farm accounts systems to collect data that would otherwise have been collected as part of what was called the farm census survey in order to meet EU requirements, we have been able to stop parts of the census itself, saving about £500,000.

Coming back to the point about comparability, I note that as far as Scottish Government statistics are concerned we have a very strong tradition of engagement with users of statistics and have put in place the ScotStat process, which allows us to immediately engage with 2,000 users of statistics. People register with their interests, and those interest groups are used to set priorities and consult on changes that we might make to statistics. For example, they drive reductions in data collections that are deemed lowest priority and the tailoring of statistical products to the needs of those who use them in the first place.

On the point about producing data in Scotland that are comparable with the UK and internationally, users have told us that, in certain situations, such comparisons are indeed at the heart of what they need in statistics. However, the majority of users of statistics in Scotland want to make within-Scotland comparisons or to look at what is happening in Scotland as a whole, rather than to make comparisons with the UK or with what is happening internationally; I would say that that is the case with 19 out of 20 uses of statistics in Scotland.

As far as prioritisation is concerned, Professor Bell might have made his comment because we are doing some great work to improve the coverage, depth and reporting of statistics about Scotland and to make possible comparisons within Scotland, which is what users are telling us that they want.

On comparisons between Scotland and the UK, we are doing an exercise across the Government statistical service as a whole to signpost and to explain to people the various sources of data and the differences that might exist in certain areas to make more informed comparisons possible.

The final question was about within-Scotland comparisons, on which I have two things to say. Scottish neighbourhood statistics is a fantastic resource, which provides a range of statistics. It consists of thousands of data series that cover all different aspects of society and the economy. The

neighbourhood statistics programme is about getting comparable data across Scotland, down to very small areas. In addition, in conjunction with the Society of Local Authority Chief Executives and Senior Managers, we have been supporting a benchmarking project, which not only involves the presentation of data, but enables sensible comparisons to be made between different parts of Scotland.

The Convener: Thank you very much. That was very helpful.

In your submission, you rightly say that

“To collect and quality assure statistics takes time”.

I think that we all understand that, because when people ask questions the answers to which are based on data collection, they expect information right away, but it is hard to provide such information quickly without compromising accuracy. You talk about ensuring

“that population surveys meet key information needs while maximising the analytical potential of the data they generate, the precision of estimates and value for money”.

As far as your methodology is concerned, what do you believe could be improved? Are you happy with the way in which the methodology is working? Are we at optimum levels in that regard?

Roger Halliday: Do you mean methodology in terms of collection of data?

The Convener: Aye. I am talking about maintaining accuracy while making data available expeditiously. Sometimes there can be a lag. In his submission, Professor Bell commented on the fact that the 2011 census data will not become available until 2013. How do we improve matters and ensure that information is given more timeously, without compromising its accuracy, to allow policy makers to act on it?

Roger Halliday: A number of things spring to mind. I was involved in a discussion last week in which we looked at potential ways of getting hold of information more quickly. There have been some great examples of that recently, such as the Scottish exchange of education data programme. There is now a platform for collecting education and other data. We are looking at what other possibilities there might be for using that within the Scottish Government.

We have a programme that is looking at what we will do on the census in the future. It will be possible to improve on how things have traditionally been done over time. That programme will run between now and 2014, because making a change as significant as the one that we might need to make in the census gives rise to quite a lot of significant methodological problems. There is definitely a strong programme of work on that.

Making results more timely would be one dimension of assessing options.

I hope that I have described a couple of things that we are doing or planning to investigate further.

The Convener: We are to undertake an extensive inquiry into demographics, because of the demographic challenges that Scotland faces in the next few years. Which minister will be in charge of addressing demographic change and who in your department will be responsible for collecting data on that issue? If you do not have the answers to hand, you can always get back to us.

Roger Halliday: It would be best if I got back to you, because a number of interests are probably involved.

The Convener: You will want to tie them in.

My next point is to Mr Clark and to Mr and Mrs Cuthbert. As we do not have submissions from you, I wonder what you feel the gaps in data collection are and how it could be improved. Margaret Cuthbert seems to be the most excited about the question, so perhaps she can answer first.

Margaret Cuthbert: Thank you for inviting us to give evidence. Jim and I could make quite a number of points about existing data, but the most important issue that faces us just now is the dynamic situation in Scotland and ensuring that we have statistics that are fit for purpose. Are the statistics that we collect suitable for what we hope to achieve in this century?

One big point is that, although we are happy with many aspects of statistics that are collected by us and dealt with by the Scottish Government, there are various big holes. One big hole is that, while Scotland deals with devolved subjects and devolved finances, what happens in reserved matters is also extremely important. The presumption is that one hopes to get a good relationship going in which reserved moneys help out devolved moneys, so that money is not wasted.

We have found a dearth of information on what is happening with reserved moneys, other than what is seen in “Government Expenditure and Revenue in Scotland”. As members know from the history of GERS, we have found a lot of problems with it. We are still finding problems—for example, as has been found in other areas, the Treasury funding statement does not connect up with public expenditure statistical analysis or Government expenditure and revenue statistics. We have found that, despite GERS, it is almost impossible to find out in large areas of reserved expenditure what is being spent on Scotland and that moneys that are

allocated to Scotland in the official statistics are not in fact being spent in Scotland. Those are big problems.

As for problems in relation to tax, we need to put an awful lot more effort into statistics on income tax. We do not need just the headline information about income tax. As members know, most income tax is collected from high-income earners, sections of whom have special relationships with HM Revenue and Customs. They do not come into the statistics at all, so we must deal with that.

We need to have much more information about what is happening with regard to income tax in trusts in Scotland—especially trusts that involve large land ownership arrangements. It could appear that some of our noblest peers do not earn much money, whereas tax is being dealt with as if a place was a trust. Such matters need to be dealt with.

I have described what we think needs to be done in the future. There are also big issues in extending our statistics way beyond GERS. We have specific problems with ordinary statistics that are calculated in Scotland—particularly those that affect policy—but I have talked long enough, so I will give somebody else a chance.

11:45

The Convener: Okay. I will bring in Mr Clark, and then your hubby can come in.

Antony Clark (Audit Scotland): Audit Scotland has repeatedly made the point at the Public Audit Committee that there are often significant gaps in performance, cost and activity data across the public sector. An obvious example is the NHS, in relation to which we have often highlighted significant gaps in financial information in the context of our ability to track the impact of policy implementation and form judgments on value for money. We have often highlighted gaps in management information at various levels of the health service and gaps in relation to post-policy implementation and review. When it comes to evaluating complex, cross-cutting policies there are often significant gaps.

Our interest is not just in the health service, of course. We have an interest in local government, and the overview reports that we present to the Accounts Commission for Scotland every year have a common theme, which is the need for local government to continue to improve the quality of local performance management information. Our best-value audits have identified improvements in performance management over a number of years, but there is still some way to go to strengthen the availability and usefulness of cost and performance information, to demonstrate that best value is being achieved.

I will be more positive. The context of this discussion needs to be considered, and there is clear evidence that the financial pressures that public bodies face are driving bodies, individually and collectively, to look more closely at the information that is available to them on how they spend and use their resources. Many of the points that Mr Halliday made about engaging effectively with users of statistics across the public sector give us cautious optimism that there will be improvement in the area, which will be driven by external factors as well as the internal driver of people recognising that it is a good thing to do.

Jim Cuthbert: We jotted down a number of themes before we arrived, and I will be happy to give you a note of them. I will restrict my comments to four themes.

The first theme is administrative data, and is underlined by what Roger Halliday was saying. The question is where the boundaries of Roger's empire are. An awful lot of important data is produced by administrative systems. We came across an example recently when we were looking at procurement. There is a database service and a portal has been set up, for administrative purposes. The portal does its job excellently, but it is also being used to produce statistics, although it is not fit for purpose in that regard.

An administrative system can be perfectly successful but it does not necessarily collect data to the common and scrutinised standards that are necessary for statistical purposes. If we want to use data from administrative systems for policy purposes, we need professional input—that is a plug for Roger Halliday's people to get out there and get their hands on administrative systems before misleading inferences are made from the data that come out of such systems.

The second theme is openness. It is incredibly important that the statistical system is open, so that insiders and outsiders can dig down and assess the quality of data. A classic example is the old PESA database, which had a big input into GERS. The Treasury ran the PESA database and did not let the public or even other departments, such as the old Scotland Office and the Scottish Executive, have access to it.

On the advent of freedom of information we requested access to PESA; we were the first people outside the Treasury to get access to the database. We found horrendous things. For example, we found that £4.4 billion of expenditure in England was being classified as non-identifiable expenditure, when in fact it was expenditure on prisons and so on. The spend was non-identifiable only within the regions of England, but it had been classed as non-identifiable overall, which completely distorted comparisons with identifiable spend in Scotland. When GERS was done, we got

a share of the English non-identifiable expenditure on prisons—the whole thing was ridiculous. That emerged as soon as the database was opened up to public scrutiny. Only after we got hold of it did the Scottish Executive get hold of it.

Openness is an essential part of quality of data. If a system is not open, we really cannot believe in the high-level figures that we are given. It is unfortunate that the tide is against openness. The move towards greater privatisation—I am thinking of the private finance initiative and utility privatisation, for example—meant that much of the stuff that previously took place in the public sector moved into the private sector and disappeared under the shield of commercial confidence.

That has been the most retrograde step, and it need not have happened. If the public sector is the client, it is perfectly open for it to insist that it is written into the contracts that information should be made available, perhaps after a decent six-month delay when the issue is no longer red hot and sensitive in terms of commercial confidence. The public sector should be able to insist that decent information is available so that things such as PFI can be adequately analysed and scrutinised.

The third theme, which is dreadfully important, is the careful specification of output measures. One example of that is PFI. An awful lot of the party-political heat that surrounded the issue of PFI—and much of the big public policy mistake that was made—was related to the fact that the public sector was using completely inadequate output measures to scrutinise the process.

That was the fault of the Treasury, which effectively said, “We are happy if the equity funders in PFI are earning a 15 to 20 per cent return.” The Treasury was taking the rate of return on equity as a basic performance measure. One side in the PFI debate was saying that the funders were earning only 15 to 20 per cent, while the Treasury was saying, “That’s fine—everything is okay.” Actually, that measure—the rate of return on equity—fails to encapsulate the degree of profit that the private sector equity holders can take out. It is not the measure that those funders use themselves: they use a measure that is based on net present value at a lower discount rate.

We wrote that up in a paper that has just been published in *Critical Perspectives on Accounting*, if you are interested in the detail. The fact is that the measure that the public sector was using was understating the potential profit to the equity holders by 30 or 40 per cent. That fact contributed to a vast public policy mistake, and meant that the debate that was being conducted divided on party-political lines in a way in which, if the facts had been known, it should not have done.

The fourth theme is a gap, as we see it, in the available statistics at present. A lot of the debate about Scotland concentrates on GERS, which is an analysis of the Government account in Scotland. The fact that we concentrate only on the Government account is a nonsense. For the UK as a whole, one would look not only at the Government account, but at the pink book and all the flows in and out of the UK economy. Similarly, we would argue that GERS should be broadened into a proper overview of all the inflows and outflows from the Scottish economy.

That is difficult to do, because it means getting a proper grip on exports and imports, but an awful lot of the effort of the statistics and economic section is put into the input-output tables. Those tables must arrive at an estimate for the export-import balance. If they are not arriving at an implicit estimate that is reasonably accurate, we should not be producing them. If they are arriving at such an estimate, we should be using that to build at least a broad-brush approximation of the overall flows in and out of the Scottish economy. That would transform the political debate. That is one suggestion of a gap; I will leave it at that.

Jenny Stewart: I want to add to the general themes that others have picked up with regard to where the gaps are.

Statistics in Scotland are pretty good, and the Scottish Government is very well resourced—I am sure that Mr Halliday would not necessarily agree, but it is comparatively better off than elsewhere in terms of staffing levels, statistics and analytical services. There are some really good long-term series, which David Bell picked up, that make a real difference to Scotland. They include things such as the health morbidity data, which are a real competitive advantage for us because they allow so much more research to be done into health.

While we are talking about the gaps, we should stress some of the advantages that make a real difference. As Audit Scotland has highlighted, the gaps are often around the financial areas and the cost, rather than the long-term series that help to inform long-term policy.

I will pick up on a couple of issues. I absolutely endorse the point about transparency. If local authorities, health boards and others all had to publish performance data, we would soon find that questions would be asked in any event that would help to manage performance. That is quite important.

To pick up on the point about users being predominantly Scotland based, I suggest that there is perhaps a slight chicken-and-egg situation in that regard. Because the data relates predominantly to Scotland, it makes it difficult to make that comparison. For example, we

sponsored a piece of research on health spending that was carried out by the Centre for Public Policy for Regions and which found that it was quite difficult to make a direct comparison between what is happening in Scotland and what is happening in England. I welcome the fact that work to address that issue is on-going but, given how much the NHS in England and Scotland is diverging in the way that it operates, it would be very helpful if it were made a priority area as far as comparability is concerned.

My final point is more of a plea and relates to something that is not so much a gap but which brings us back to the issue of timing. We have to wait quite a long time for Scottish GDP figures, which come out later in Scotland than in the rest of the UK. I absolutely understand the point about the trade-off between timing and accuracy but it would be lovely if the publication of the Scottish GDP figures could be expedited. I also acknowledge the point about concentrating on GERS, which will become even more important as the debate moves forward.

The Convener: Mr Halliday seems quite keen to come back into this lively discussion. I will bring in my patiently waiting colleagues very soon.

I must point out that when I referred to comparisons with local government and health I was talking about comparisons within Scotland, not across the border.

Roger Halliday: Some very helpful points have been made. One of my biggest problems—it is quite big barrier to carrying out some of the work that people have alluded to—is in getting hold of the necessary data, especially on the underpinnings for economic statistics, from other parts of the UK Government, particularly HMRC, the Department for Work and Pensions, the Office for National Statistics and the Bank of England.

Jenny Stewart helpfully suggested that we have loads of resources, compared with countries of similar-sized population. I must point out, however, that while we have 150 statisticians, those other countries have at least 1,000 people who cover such things. Given that, I think that we do pretty well. Moreover, resource constraints are one of the reasons for engaging with those who use statistics.

As for using administrative data, we have been looking not only at how the resources in the Scottish Government are used. We now have 13 public bodies who are also producers of official and national statistics. In recent discussions, we have said that we want, as a strategy, to work with other potential producers of statistics and to train those organisations to improve their capacity and capability in collecting data, in order to improve the quality of administrative data and the uses that are

made of it. I am sure that members will want to ask about the uses of data—in particular data linkage.

Paul Wheelhouse: I thank the witnesses for their evidence so far and want to drill down into a number of issues that have been raised. With regard to the GDP figures, I suggest to Roger Halliday that there is no reason why the ONS cannot provide similar GDP estimates for Scotland. I might be wrong, but is it fair to say that its priority is publication of UK-level data and that data for Scotland are a second-order priority?

12:00

Roger Halliday: That might be true for the ONS, but it is not the barrier to our producing more timely GDP figures. In fact, there are two barriers, the first of which is that Scotland is a smaller country than the UK. The ONS has relatively definitive numbers for some bits of GDP but has to forecast other bits, which is why revisions are made in the UK figures; the last time, for example, there was a 0.1 per cent revision. There is no point in our putting out a number if it is going to be revised by percentage point, so we try to balance timing and availability of data. Our first-cut GDP series is based on more data but, even so, there were revisions of 0.4 per cent to the previous quarter. Without that level of data, it is difficult to produce a credible series.

Moreover, a number of the data sources that we use—and that need to be used, irrespective of whether we or the ONS put the series together—are businesses that report on a UK level, which means that all we might have would be UK-level changes in value added from those organisations so we would have still to estimate what is actually going on in Scotland. To change such a system would be quite a big undertaking. Those are probably the primary reasons why we do not do something different.

Paul Wheelhouse: Irrespective of the timing issue and the other issues that you have outlined, I wonder whether, given that the Government's primary overarching national objective or purpose is to raise Scotland's long-term sustainable economic growth rate—I will ask about the characteristics of growth in my next question—the more timely production of GDP figures is important, particularly in the light of the fact that we are, as Mrs Cuthbert has pointed out, taking on additional tax-raising responsibilities.

Roger Halliday: It would be good to be in an ideal world in which we had perfect data and we could get figures out faster. However, there is no point in being faster at putting out figures that are not useful indicators of where the economy is going. GDP is an important indicator, but there is a

range of other indicators and forecasts that the committee and others should bear in mind.

Paul Wheelhouse: I accept that and do not mean to be difficult. All I am suggesting is that there is—in principle at least—no reason why the processes for producing a UK GDP estimate for a certain timeline cannot be deployed to provide a GDP figure for Scotland on the same timeline. It is just that the current processes do not facilitate that. As you have made clear, UK-level data that are difficult to disaggregate are collected. However, that does not need to be a permanent state of affairs; we need to look at ways of securing more timely GDP data to inform policy in a more timely way. However, I do not want to get bogged down in that matter.

Jim Cuthbert referred to the wider picture and talked about flows into and out of Scotland. I suppose that we lack an estimate of gross national income and other measures that would help us to understand Scotland's macroeconomy. However, we have just taken evidence on the welfare reform agenda and I am aware that the Welsh have formulated a macroeconomic model that allows them to model the impact of welfare reform on Wales. As I understand it, the Scottish Government does not have the same ability. Do Mr or Mrs Cuthbert or Mr Halliday have views on how good the Welsh model is and whether we are yearning for something that is actually not very good? Is there any reason why we cannot develop a model in Scotland? Would it be prohibitively expensive?

Margaret Cuthbert: First of all, I will make a point about GDP that is related to those comments. Over the next 10 years, GDP might well lose its place as the number 1 indicator. After all, the current crisis has made us very aware of the fact that GDP values can suddenly fall, largely because of the element of GDP known as imputed rent. It is a fictitious amount that reflects the fact that lots of countries have different mixes of owned and rented homes. In order to be able to compare things across Europe, for example, in the case of a country such as Britain, where the level of home ownership is high, we impute what rents would be. If house prices soar, so does the imputed rent value and if house prices sink, imputed rents go down, so GDP goes up and down depending on that.

We need to move away from such indicators if we are interested in growth in Scotland and in the real mechanisms that affect welfare. I suggest that, instead of the endless flight towards the goal of getting GDP figures out faster, we devote a bit of Scottish intellect to creating an indicator that would be part of the GDP indicator but would be more help.

Paul Wheelhouse: Do any of you know what is done in Wales? Is there any value in considering that example?

Jenny Stewart: I sat on the Howat review from 2005 to 2007. I think that, around 2005, the Scottish Government considered whether it could have a similar macroeconomic model, but did not progress the idea. It might be worth investigating why that was not taken forward at that stage.

Paul Wheelhouse: That is an oddity to me. We have some excellent universities and academics: why do we not use that intellectual power to develop a model for Scotland?

We have heard today and previously, from other witnesses, that the cost of living in rural economies can be 10 to 20 per cent higher than it is in urban situations because of the costs of fuel, transport and so on. The Scottish index of multiple deprivation essentially assumes that living costs are uniform across Scotland when examining income deprivation, for example. Do we need to reflect on that and to develop a more nuanced version of the SIMD in order to take account not only of income levels in an area, but of the cost of living, which might show us that there is a different pattern of deprivation across Scotland from what we are familiar with?

Roger Halliday: That is an interesting suggestion, and I thank you for it. We will produce a new index of multiple deprivation in a few months, but it will be difficult to consider those issues within the timescale. My only obvious concerns are about whether there are data to support what you suggest, and what people's priorities are in development of the index. I know that there is going to be significant development, mainly due to the welfare reform agenda, because data from the DWP are a significant input into the index.

Michael McMahon (Uddingston and Bellshill) (Lab): My question is directed to Mr Halliday, but if anyone else wants to comment, given their expertise and knowledge, that will be fine.

In my experience—and the experience of colleagues to whom I have spoken—there is nothing more frustrating than putting a question to the Scottish Government and getting back a single line answer that says, "We do not hold that information centrally." It occurs to me that we do an awful lot of things with money—we spend money on the health service, local government and so on—but we do not know what is happening to it because we do not chase up the information.

My question has two parts. First, why do we not have that information centrally? The Scottish Government is giving money to all those public services, so why does it not collect the information that would tell it the outcome of that spending?

I will introduce the second part of my question with a short anecdote. The other day, I wanted some information about a primary school in my constituency and I wondered whether the same information was available across all 22 of the primary schools in my constituency. I got a member of my staff to phone around all the primary schools, and it took her less than an hour to get the information. We have 11 health boards, 32 local authorities and eight police boards. If an MSP asks, "What are we doing with this?" or "What are the statistics on that?", why cannot the Scottish Government produce an answer?

Roger Halliday: First, as you know, we are now in the world of outcome-based Government; our priority is the information that the Scottish Government has on overall outcomes. When it comes to individual processes, resources or outputs, the report indicates that there is no centrally collected information in a number of areas. It is partly about proportionality; all such things come at a cost and we must ensure that we do not spend more on data collection than is reasonable in the light of the level of spend.

It also comes back to my previous point about listening to users. You are flagging up that we maybe need to do more on that score.

Michael McMahon: It strikes me that you have outlined a situation in which you do not know why you cannot get information. Currently, a dozen or more MSPs might want information or statistical data on what health boards are doing. Rather than those 12 MSPs lodging a question to the Scottish Government and it getting back to them, they have to write to all the individual health boards and collate the information themselves. That hardly sounds very efficient.

Jenny Stewart: Transparency would help to mitigate that. If health boards and local authorities were to publish more management information, as I would call it, which is probably what you are looking for, and made it readily available, it would not be necessary to ask the Scottish Government for it. Transparency is therefore very important.

To hark back to the Howat review, one of our key recommendations was about the need for a very active challenge function in the centre in the Scottish Government. Every three years there is the comprehensive spending review and the work is done very thoroughly at that stage, but there should be a standing challenge function throughout. I reiterate that, if something like that were in place, more information would be available.

I know that it is hard for Parliament, but I am pretty sure that somewhere in the report we also touched on the resources that are available to Parliament and to the Scottish Parliament

information centre. If those resources were increased, more research capability would be available to the Finance Committee and other parliamentary committees to exercise their proper function in terms of what is happening to vast amounts of public money.

The Convener: I am not aware that there is a lack of resources in SPICe to do anything that I have ever requested.

Jenny Stewart: In that case, it might be able to help with some of these queries.

Jim Cuthbert: I will make a brief comment. Relatively few questions can be answered on the basis of a simple phone-around. On most topics, if you want data that are consistent and meaningful, we are talking about a properly structured information-collection system and about having systems in a local authority or whatever that can provide answers to such questions. If you are dealing with a serious topic, the collection of meaningful information involves specifying your requirement, going to the local authority and coming to an agreement with it that it will put in place its own internal systems that are capable of producing that information, then it will collect the information. To meet a serious requirement, it will take a minimum of several years to set the process up. That is not to defend what goes on now. If you want a good data collection system, that is the sort of inherent time lag that you would be dealing with. Obviously, you want to be sure that your systems are up to date and that your user requirements have been identified as far as possible in advance so that you have the process in place to meet them. However, this does not involve a simple phone-around.

12:15

Antony Clark: I want to build on Jenny Stewart's and Jim Cuthbert's points relating to benchmarking. Your frustration about having easily available comparative information about the cost of performance or outcomes delivered by range of public bodies in many ways reflects the fact that we have a relatively underdeveloped set of approaches for benchmarking in the public sector. Although it is entirely reasonable to expect the Scottish Government to have information, there is an onus on public bodies themselves to gather and publish that information and to be publicly accountable for how they use their resources. It is well worth the committee's while to think about there being an equal interest for public bodies.

Margaret Cuthbert: I am slightly in opposition to that, in that I think that the Scottish Government should have more control. I can give two examples, the first of which is the flagship policy

on free personal care. In a series of papers of free personal care that we have produced over the years we have pointed out an inconsistency in the numbers in the tables; the Scottish Executive added up figures from across local authorities to find out the total spend on free personal care when at least one of the areas put in a zero amount. In other words, those areas had not produced the data for the Scottish Executive so the Executive just put in zero and added the rest up to get a total. That is the type of thing that we are interested in—areas on which there should be data but there are none.

The other example is in the final business cases of PFI, which should be of interest to every MSP. There was a unit in the Scottish Executive—predating the Scottish Government—specifically for PFI. We had to request final business cases, except for a handful, by way of freedom of information requests because the information was not available for all local authorities centrally. When we did get them, most of them were conformed copies; in other words, any financial data of any worth were blanked out. That information should have been available.

Michael McMahon: I hope that Mr Cuthbert did not misunderstand what I was saying. I was trying to simplify the question—the point being that when we look for information, the Scottish Government's response is not that the information does not exist, but that the Government does not hold it centrally. That leads to a paper chase, via SPICe or some other resource, to collect information that I think the Scottish Government should have available to it. That is the point that I am trying to make.

Paul Wheelhouse: Is there a lack of harmony between management information systems, which might be partly responsible for the inability to answer the kind of questions that Michael McMahon has asked? Do we collect information consistently across local authorities and health boards?

The Convener: Professor Bell is shaking his head.

Roger Halliday: There are different management information systems, but some of the ways in which we collect data, such as through the ScotXed system that I mentioned earlier, are designed specifically so that we work with the MIS companies to ensure that the data are extracted.

The support that we are able to provide in those areas has significantly improved the quality of the data. As Jim Cuthbert mentioned, the area that we need to progress is the quality of the data that are held locally. For example, on the education side, we are aware, after collecting data, checking it and publishing it, that before that happened, 2.5 per cent of children's gender was recorded incorrectly

on school systems. That is just an indication of the levels of quality that maybe exist out there.

Professor David Bell (Adviser): I will make just a couple of remarks. In his first contribution, Mr Clark mentioned evaluation, about which we do not talk enough. We put in place policies, but we do little thereafter—or, indeed, beforehand—to evaluate them properly. An example—it is not necessarily a bad one—comes from the alcohol pricing stuff. Some pretty good work was done in Sheffield for the Scottish Government, which used international evidence on responses to changes in alcohol prices.

Much more extensive pilots than we undertake are often used in England—we can understand why such an approach is used there, where budgets are larger. For the English equivalent of self-directed support—individual budgets—a huge piece of work was done to compare what happened in some areas where the policy had been introduced with what happened in areas where it had not been introduced. I do not want to go down to specifics; we are doing evaluation reasonably in some respects, but we do not approach it systematically over the piece, and statistics are key to that.

My other point is optimistic. Most of the stuff that I deal with is about how policies impact on individuals and is not the macro stuff that Jim and Margaret Cuthbert talked about. Mr Halliday mentioned data linkage. The notion is that we have administrative data sets on health—and maybe on social care and education—and that Scotland is better placed than almost anywhere else in the world to link together those data sets.

If I am thinking about preventative spend and if I know from a survey that somebody now has cirrhosis, for example, I can link that person's data to their health record, so I might go back 10 years and find out that they visited their doctor regularly because of alcohol overconsumption. That capability is available in Scotland to a greater extent than almost anywhere else in the world.

My evidence for what I say is that I am part of a consortium of five universities that have just made an application to the National Institute on Aging in Washington, which part-sponsors surveys on ageing around the world. There are such surveys in England, Ireland and Europe, but not in Scotland. The institute is thinking of coming to Scotland because the potential for linking data here is possibly better than that anywhere else in the world. We have spoken to the NHS about its data and to National Records of Scotland about education data.

I do not want to be too negative about what we do. I have described an interesting possibility that is available only in Scotland.

The Convener: There you go—some brownie points for Mr Halliday and his colleagues.

John Mason: It is clear that some things are easier to measure than others. Does that skew our decision making? In recent weeks, the committee has spent a bit of time on employability, and youth employability in particular. How is employability measured? Can it be measured?

We can measure positive destinations, so we know whether people are in jobs or at college. However, somebody could be in employment but not have become more employable than they were a year before, or somebody could have become more employable in the past year but not be in employment—the easy thing to measure—because no jobs are available. I am a bit concerned—I am an accountant, so the issue relates partly to my background—that we measure the things that are easy to measure but we find it more difficult to measure other important things.

The Convener: Of whom are you asking your questions?

John Mason: I am throwing the points out—

The Convener: You are throwing a hand grenade.

Roger Halliday: Employability is quite an interesting issue and brings us back to David Bell's point about data linkage; indeed, the paper that Fergus Cochrane produced for the committee touches on the same matter. I believe that data linkage might be able to make a significant input here. For example, there are a number of interventions—further and higher education, school education, training and so on—and if data on the things that people did could be linked with, say, benefits data or income and employment data, and if those people could be tracked over time, researchers might be able to understand better the interventions that actually work in moving people towards or into work and the kind of work that they move into.

Secondly, someone mentioned a survey that was carried out on school leavers and their destinations. That might not be needed if we were able to build much richer data around the issue. I point out that that is not happening at the moment—I am simply illustrating the potential of linking different sorts of data. However, as I said, there are certain difficulties, including around the ability to access really rich and informative sources of data on benefits, tax and work from HMRC.

John Mason: As has already been pointed out, it might be a long time before we see results from some of the things that we might do now. Professor Bell suggested that we might be able to go back 10 years but my guess is that that would

be unusual and that for many people who have cirrhosis of the liver, for example, or some other health issue we simply do not have data that goes that far back. I wonder whether, in 60 years' time, we will be able to measure the impact of the family nurse partnerships that we introduce now. Are we even going to try to do that?

Roger Halliday: This is exactly the point of data linkage. We are developing a data linkage framework, the consultation on which closed just last week and a significant objective of which is the ability to track people over a period of time for research purposes. A significant use for that framework could be the study of health-related situations; in other words, instead of having to follow up people over time, with all the costs that that would entail, we could, as Professor Bell suggested, look at people's health records to identify specific causes and effects. Indeed, that is already going on to some extent. In the health service, for example, a statin that was introduced to deal with heart conditions was taken off the market after an examination of people's health records down the line found that it was associated with a lot of mental health problems. As a result, the approach had a distinct advantage for patient safety.

Jenny Stewart: As John Mason was right to point out, sometimes we do not even try to measure the things that, although important, are difficult to measure. That is why the shift to outcomes has been really helpful, and the next stage on from that will be outcome-based budgeting and the ability to track budgets to outcomes. It is a difficult issue; although I have done some international research and my colleagues have carried out some research in Canada and New Zealand, there is not a huge amount of other research out there. That said, the matter is worth pursuing.

As for Mr Mason's reference to family nurse partnerships, I think that two distinctive issues emerge, the first of which relates to the statistical theories that we have over the long run. David Bell made the important point that we need to keep those things going, irrespective of changing policy priorities. Secondly, post-project evaluation must be carried out on particular policy initiatives, requiring access to a variety of data. I echo the points that David Bell made about the need to do more of that. When the Howat review looked at how much of Scottish Government spend was subject to post-project evaluation, we found that it was quite limited, mostly to projects where there were EU requirements. EU funding was always subject to post-project evaluation because that was a condition of the funding. There was then a bit on top of that. The situation has improved and there has been more post-project evaluation since then, but a lot more could still be done.

12:30

Jim Cuthbert: One has to be clear about what one is looking for. For a lot of subjects, one may never be able to develop a simple indicator, which may be an inherent problem. The important thing is to have a rich enough database that one can research. Often, one can get a handle on something in a research study if one has appropriate data to work with, even if one cannot end up with a simple indicator.

In a sense, it is the other side of what Margaret was saying about GDP. With GDP, we have latched on to a simple summary indicator that may be a bit misleading. It would be better if we could dig below that and find out what is going on. The important thing is to set up the databases and vet them thoroughly so that there is good-quality data at the individual case level. One can then do research studies to find out what is going on. One may never end up with a simple indicator, but one may nevertheless learn an awful lot. The databases are essential to the process.

Mark McDonald: I have two questions, the first of which is about ensuring a consistent approach. There will sometimes be data that is collected locally that does not translate up to a national level. There will always be statutory performance indicators that authorities are obliged to collect and key performance indicators that authorities collect, but there will sometimes be local performance indicators that authorities choose to collect themselves. The question is how we can ensure a consistent approach to the gathering of information. For example, I recently wrote to local authorities requesting information about tree preservation orders in connection with the bill on high hedges that I am going to introduce, and I received 32 very different responses, ranging from one sheet of paper to hundreds of sheets of paper, depending on the amount of data that each local authority held—I recognise the irony of a response on tree preservation orders stretching to 100 pages. How can we ensure that there is a consistent approach to the collection of data at a local level? Perhaps Mr Halliday has a view on that.

Jenny Stewart: I apologise, but I have to leave to get a flight to London.

Mark McDonald: Just as the conversation has turned to tree preservation orders.

The Convener: I was advised of that in advance, but the clerk told me that you were going to Majorca. [*Laughter.*]

Jenny Stewart: I wish that I was. Thank you for the invitation to give evidence today. If the committee has any other questions, I will be happy to provide responses in writing.

The Convener: Thank you.

Margaret Cuthbert: We have found, especially in chasing up the spend on free personal care, that even if a well-defined series of questions goes out, what comes back to the Scottish Government can be very different from what it had hoped for. When we pursued that with the Scottish Government, the answer came back—after maybe four years of complaint—that it was very good for people such as us to phone in with our complaints or suggestions for improvement because that was the only way in which the department would get some muscle in trying to get local authorities to do something about the situation.

Even after all that, the most recent edition of the “Free Personal and Nursing Care Scotland” bulletin, which is for 2009-10, states, under the heading “Limitations of the data”:

“For some Local Authorities, it appears that gross expenditure on personal care services at home is higher than overall net expenditure on home care services.”

I could go on. In essence, all the points that we have made have still not been addressed nine or 10 years after the policy came into being. That means that like with like is not being added up across local authorities, so there are massive differences in the spend per hour that have no meaning. In some places, it appears that less than the minimum wage is being spent on personal care—it is just nonsense. I do not know how we can get Scottish Government clout over local authority data collection processes so that the data that is finally produced does not make us look stupid.

Roger Halliday: That shows that the issue is not straightforward. Some people might think that statisticians are a bit dull and boring, but their skills are important in ensuring consistency of definition, and they work with others towards that end.

We have done two things in particular. As I said, we have engaged with public bodies as producers of official statistics to train their staff and improve their capability in that regard. In addition, we have undertaken projects over the past two years to address improving local indicators—that issue was just referred to. I am working with Antony Clark on that. The priority is to get consistency in community planning partnerships’ single outcome agreements. We are now thinking about how to use that approach for other issues.

Antony Clark: I have a more general point. There is no straightforward answer to the question of how one gets better comparability across organisations. Our experience is that there tends to be better comparability where there is ownership of the information to be used for the purpose of comparison. The process of using

information inherently helps data cleansing and comparability.

The Convener: That is a good point.

Mark McDonald: Obviously, as we refresh how we collect data, there will undoubtedly be data that we choose to collect no longer because it is not relevant. However, because there is a natural human tendency towards cynicism, there will be some out there who will imply that certain information is no longer being collated because it is convenient not to do so or because information is being hidden. How do we get to a stage at which we refresh the data collection process while making it clear that that process is providing data that are more relevant and that we are not simply brushing things under the carpet because we would rather that people did not know about them?

Roger Halliday: The answer is that we have user committees and groups of people who decide whether something is important and what the lowest priority is, for example. What has worked for me in the past is signalling ahead what the overall plan is for a particular theme, topic or group of users, to ensure that people are not caught out by problems.

The Convener: That appears to have exhausted questions from members. However, I have a couple of questions to finish off the session.

Robert Chote from the Office of Budget Responsibility said in evidence to the committee:

“The obstacle to producing a Scottish macro forecast as an underpinning for a Scottish fiscal forecast is not only a lack of resources to put together the model to do that—we would need to do it in a way that was consistent with the UK forecast as a whole—but the fact that some of the data that underpin the UK-wide forecast are not available at a Scottish level. The raw material that you would need to input into the model is not there ... you are some way away from having the data infrastructure available to be able to do something more dramatic on that score.”—[*Official Report, Finance Committee, 28 March 2012; c 910.*]

Mr Halliday, what kind of work is being undertaken to prepare for the powers that will come via the Scotland Act 2012?

Roger Halliday: The analysis that you quoted is absolutely right about there being resource and consistency difficulties. The most important one from the committee’s point of view is probably our attempt to improve the way in which data from other parts of the UK Government is shared—particularly data from HMRC. There are strong legal barriers to doing that at the moment, but we are exploring how we might overcome some of them. Any help from the committee would be useful.

The Convener: How useful is the national performance framework with regard to data provision?

Jim Cuthbert: I have a slightly negative view of that, but that might just be a reflection of the interests that have been steering us over the past 15 or so years. However, I am slightly sceptical about macro-level indicators, because I believe that the devil and the value always lie in the detail. The thrust towards overall performance indicators has the potential to be a bit of a diversion of resources away from getting the quality and the analysis right at the micro level.

Antony Clark: The answer to your question, convener, depends on what you think the NPF is there to do.

The Convener: What do you feel it is there to do in terms of data provision?

Antony Clark: I was going to say that the NPF seems to be a useful summary of the direction of travel in a number of quite important areas. However, there is probably quite a bit more work to do to understand the interrelationships—this is Jim Cuthbert’s point—between what drives performance and the contributory factors that might lead to good performance or poor performance.

Margaret Cuthbert: The position is the same in relation to almost all outcome measures. For example, if I am doing a bit of research into higher education in Scotland, I might want to look at graduate first destinations as an output measure. Obviously, universities are keen to promote the message that they are doing extremely well in relation to first destinations, but I believe that the only figures that they give are those that give a good impression of them. When we dig further, we can find that some graduates’ first destination may be the job market but that they are working in Tesco or Pizza Hut. Parents look at first destinations data and say to their children “Look, you are guaranteed a good job when you come out of university.” However, the first destination figures hide a mass of outputs under one heading that says that graduates have got jobs. We fool ourselves a lot about outcome measures, because they show only what the person who collects the data wants us to find.

The Convener: On that interesting point, I bring the evidence session to a close. I thank the witnesses for their evidence.

That was our final agenda item, but I remind committee members that our meeting next week will be on Tuesday, not our usual Wednesday, and that it will start at 2 pm, not 5 past or 10 past 2.

Meeting closed at 12:42.

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