



OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 17 September 2024

Session 6



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Pàrlamaid na h-Alba

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

26th Meeting 2024, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)

*Jamie Halcro Johnston (Highlands and Islands) (Con)

John Mason (Glasgow Shettleston) (Ind)

*Liz Smith (Mid Scotland and Fife) (Con)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Lukas Bunse (Wellbeing Economy Alliance Scotland)

Sarah Davidson (Carnegie UK)

Allan Faulds (Health and Social Care Alliance Scotland)

Dr Max French (Northumbria University)

Dr Alison Hosie (Scottish Human Rights Commission)

Michael Kellet (Public Health Scotland)

Euan Lochhead (North East Scotland Retrofit Hub)

David Melhuish (Scottish Property Federation)

Lewis Ryder-Jones (Oxfam Scotland)

Alice Telfer (Institute of Chartered Accountants of Scotland)

Heather Williams (Women's Economic Empowerment Project)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 17 September 2024

[The Convener opened the meeting at 09:01]

Pre-budget Scrutiny 2025-26

The Convener (Kenneth Gibson): Good morning, and welcome to the 26th meeting in 2024 of the Finance and Public Administration Committee. We have apologies from John Mason this morning.

Our first agenda item is a round-table discussion on managing Scotland's public finances, a strategic approach, as part of our pre-budget scrutiny. I welcome to the meeting Allan Faulds, senior policy officer, Health and Social Care Alliance Scotland, which is known as the ALLIANCE; Alice Telfer, head of business policy and public sector, Institute of Chartered Accountants Scotland; Euan Lochhead, architect and retrofit co-ordinator, North East Scotland Retrofit Hub; Lewis Ryder-Jones, advocacy advisor, Oxfam Scotland; Michael Kellet, director of strategy, governance and performance, Public Health Scotland; David Melhuish, director, Scottish Property Federation; and Heather Williams, training lead and member of the women's economic empowerment project, Scottish Women's Budget Group. Unfortunately, Dave Moxham, deputy general secretary, Scottish Trades Union Congress, who was due to participate, is no longer able to attend.

Thank you all for your written submissions, which gave me a very enjoyable Saturday and Sunday of reading. We have around 90 minutes for this session. If witnesses would like to be brought into the discussion at any point, please indicate to the clerks and then I will call you. It is not a case of my just asking various questions of individuals. I am hoping for—as it says on the tin—a round-table discussion. As Allan Faulds already knows, I will put my first question to him, and then anyone who wants to come in should let me know. I will take people in the order that I see them indicate. I hope that we will get quite an informed discussion.

I will, if things start getting stuck, move on the discussion. Topics wise, we will go from taxation and growing the tax base to public service reform, potential behavioural response and capital expenditure, just as it says on the tin. I will try to involve every person who has given a submission

on a topic as often as possible—that is, as often as you wish to come in.

Allan Faulds, in your written response to the first question in our consultation about the Scottish Government and its priorities, you said that you are quite happy with its priorities of eradicating child poverty, tackling the climate emergency and improving public services. However, you said:

“we believe that the priority of ‘growing the economy’ represents a step backwards in the Scottish Government’s approach to the economy.”

Given your submission and your reference to increasing public expenditure in a number of areas, how you can square that circle?

Allan Faulds (Health and Social Care Alliance Scotland): It is certainly not the case that the ALLIANCE is opposed to economic growth. It is more that the Scottish Government’s focus has moved away from its previous approach. In the previous Cabinet, there had been discussion about the wellbeing economy, so there was a lot of discussion about economic growth for a purpose—that is, growing the economy to grow the tax base but also to invest in public services.

We are slightly concerned that the formulation of the Government’s strategy under the new Cabinet is very much along the lines of a more traditional view of growing the economy almost for growth’s sake, which we are not particularly comfortable with. We recognise that these are straitened financial times, but we are keen for the Scottish Government, as well as having a growth mindset, to consider taking a human rights-based approach to public finances that recognises that there are certain things, such as high-quality social care, that we should provide to people as fundamental human rights, so that they can engage properly in society and the wider economy, and that, therefore, we should look at things such as our tax base with a view to how we deliver that, rather than simply looking at them purely through an economic lens.

Another point is the fact that investment in social security contributes to economic growth, because people who are on low incomes do not, by definition, spend money on leisure, hospitality and so on, as well as essentials. If they have a bit more income from social security, that goes straight back into the economy—it goes into local shops, businesses and leisure. Therefore, investing in social security should not be seen as being in tension with growing the economy, if that makes sense.

The Convener: Yes, it does. However, there are issues to do with the fact that the Scottish budget is more or less fixed, and concerns have been raised about the fact that, in Scotland, almost £1 billion more is paid out in social security

than would have been the case if we had retained the same social security levels as the rest of the UK. That £1 billion has to come out of other areas of spending in the Scottish budget.

Another thing that you said in your submission is that you want to make use of

“national level taxes, including income tax, to the fullest extent possible.”

This morning, Mairi Spowage, who is the committee’s budget adviser, said on behalf of the Fraser of Allander Institute that the perception exists—I believe that it is a perception, rather than the reality—that Scotland’s taxation level is already potentially deterring investment, and that one in six businesses has argued that. What is your view on that? Would using taxation in the way that you suggest not be counterproductive?

I will make one other point on that before I widen out the discussion. In the evidence that we took last week from Professor Heald, an eminent economist at the University of Glasgow, he referred to the Scottish Fiscal Commission’s belief that the behavioural impact of last year’s increase in the top rate of tax is that 85 per cent of that revenue has been lost. We will come on to discuss that later. How can we get the balance right in that respect?

Allan Faulds: I admit that that is a difficult question. The ALLIANCE is not a specialist tax organisation. Recently, we had a discussion with the cabinet secretary, in which the Institute for Public Policy Research took part. It was of the view that behavioural changes can sometimes be somewhat exaggerated and that, once such measures are brought in, they are not necessarily felt on the ground to the extent that the modelling suggests that they might be.

We talked about national-level taxation, but there is also a role for local-level taxation, given that, last year, part of the national budget went into a council tax freeze. There was a uniform belief across large sections of the third sector, local government and academia, including the Fraser of Allander Institute, that that did not represent a good investment of public funds. Although the council tax freeze was funded, it has put more restrictions on local government funding.

We have repeatedly made the point that, if a bit more progress was made on local government taxation—I will do what I always do, which is mention the fact that I was less than a year old when the current council tax valuations were introduced, and I am now 34—we would improve the local tax base and, in particular, the ability to tax wealth, especially property wealth, more accurately. Council tax is now very bad at doing that. If we had a slightly stronger local tax base,

that would free up a bit more flexibility at the national level.

The Convener: Lewis Ryder-Jones is the only witness who has signalled that he wants to come in. I am hoping that others will be a bit more enthusiastic as we progress.

Lewis, in your submission, you said that

“‘growing the economy’ cannot be a legitimate priority, without important caveats”,

that Scotland’s income tax system

“can, and must, do so much more”,

and that we must be “even bolder” on income tax. You mentioned council tax as well. Would you like to take up the cudgels?

Lewis Ryder-Jones (Oxfam Scotland): It is great to be here this morning. Thank you for inviting me.

A lot of what I am about to say echoes what Allan Faulds has just said. I fully agree with the points that he made about growing the economy. On that, Oxfam’s position is that growth for growth’s sake does not lead to long-term positive outcomes for society. At this point more than ever before, we need to shift our perception of what type of growth matters and how it should be distributed. We use gross domestic product as the measure for deciding whether growth is good or bad, yet we know nothing about how growth is distributed through that measure.

The committee has been considering the national outcomes as part of its scrutiny of the new set that is going to be adopted for the next five years. We have a really rich set of measures in Scotland and it is about to become even richer. Those measures need to take priority and GDP needs to be relegated beneath them, and we need to understand how growth is impacting different parts of the economy.

From Oxfam’s perspective, the care economy is vital. It needs to grow not just because of the long-term implications of population ageing, but because it will have a positive impact on our poverty rates and gender inequality.

The climate crisis that we face is at a level that we are just not ready for. What is happening in central Europe right now is a case in point. We need investment in renewables at a scale that we have not seen and we need growth in those sectors—there is no doubt about that—but the way that the wellbeing economy monitor measures growth is still limited. That is our main point on the economy.

We agree with others that we have not finished what we can do on income tax. We understand the perceptions that you mentioned about

discouraging investment. However, those perceptions exist partly because, if our starting point is the existing income tax system and we are tweaking the upper rates rather than going back to the drawing board and thinking about how we can build an income tax system that is perceived to be fair from the ground up—which is within the gift of the Scottish Parliament—we will always feel such pushback. We are not necessarily saying that income tax rates for middle-income earners need to increase. In fact, we are pretty clear that they probably do not at this point. There is no doubt that the tax burden needs to shift towards those with higher incomes.

On growing the tax base, we fully agree that local taxation is not fit for purpose. However, going beyond council tax, the system of business rates is also vital. That system could do much more to encourage fair work and some of the voluntary accreditation schemes, such as the Carers Positive scheme. We could use more stick along with the carrot to allow businesses to do more for their employees, which would ultimately have a long-term impact on economic growth in this country.

David Melhuish (Scottish Property Federation): Since nigh on the financial crash, we have pretty much had a flatlining economy. The no-growth scenario has been tried. Unfortunately, the lack of economic growth and revenues is now undermining the other elements to which colleagues referred. I think that I am right in saying that income from, for example, ScotWind has been diverted towards the emergency budget measures that we have seen recently. That takes away significant potential for investment in retrofit, renewables and other measures.

Our standing point is that, unless we get growth in the economy, we will not increase the public revenues to be able to invest in those things. My fear is that we are in that tricky, vicious circle of low growth, increasing demands from the public, Government and society at large and a really big need for investment in infrastructure that will lead us towards, for example, the net zero agenda.

We have to get the economy primed and moving ahead at more than zero or flatlining rates. That has to be a priority for the Parliament right now. That is not economic growth for the sake of seeing 2 or 3 per cent on the GDP measure; it is growth for a purpose. That is where we need to be.

Alice Telfer (Institute of Chartered Accountants of Scotland): It is good to have a proportionate tax system in place. We note that there is a heavy reliance on the 10 per cent of people in Scotland who are higher-rate taxpayers. Our understanding is that around 65 per cent of the revenue comes from them.

We also note the Scottish Fiscal Commission's comment on the behavioural impact and the figure that it has put against that. It is very difficult to get a figure for the behavioural impact. Sometimes it is almost conjecture, because a lot of the activities that might be involved might not be visible. For example, someone might pay more into a pension scheme or refuse to take extra hours; they might even choose to retire.

09:15

It is recognised that there is a risk. A potential approach is to diversify from that risk. That includes looking across the spectrum of the tax bases, growing the economy, making Scotland an attractive destination for inward investment and providing the stability and certainty to give business the confidence to invest.

Michael Marra (North East Scotland) (Lab): I want to ask about what we should do in the tax area, which Lewis Ryder-Jones and Allan Faulds have touched on.

Lewis, you said that we have not yet reached the limits of where we should go on tax, but the Scottish Fiscal Commission has told us that, in relation to the top rate of tax, we are looking at behavioural effects of around 90 per cent. Off the top of my head, I think that we are talking about a reduction in the sum that the Cabinet Secretary for Finance and Local Government was supposed to have available to spend as a result of the last year's tax increases from about £80 million or £90 million to £8 million. I do not see what we can do in that area to realise more of that money.

You mentioned middle-income earners and increasing the revenue from them. We know that most of the money that has been raised in recent years has come from middle-income earners because of fiscal drag and people being pulled into the upper tax brackets. Those are people who earn between £40,000 and £50,000. At the moment, they do not feel rich—far from it—because prices are increasing and so on. I think that you recognise that. The committee is wrestling with the issue of how we might realise more of that money. Could you say a bit more about how you think that that could be done?

Lewis Ryder-Jones: Yes, I recognise that.

When it comes to the perception that higher taxation is bad for the economy and the potential behaviour change, we need to be clear that, as Allan Faulds said, we are talking about conjecture—that potential behaviour change will not necessarily come to pass. We need to make sure that Scotland is the sort of place that people want to live in. The tax burden in the UK, especially in relation to income tax, is not particularly high, comparatively, but people's

disposable income in other European countries is much higher, and that has proven to stimulate economic growth. The Scottish Government's former adviser Joseph Stiglitz has said on an array of occasions that reducing economic inequality globally and within countries is a vital part of sustainable economic growth.

Therefore, we need to make the case that having higher taxation is an investment, not a burden, and that those higher taxes allow investment to be made in public services in Scotland, so that we can create the context for people to say, "Ah—okay. Yes, I want to live here, even if my taxes are higher than they are down south." That is our challenge. If we run away from that argument, we will never be in a position to win it.

With regard to the specifics of what we can do on tax, various bits of research have been done recently on adjustments to a small degree in the higher rate and the new advanced rate that was introduced last year that would create some fiscal flexibility. In my original answer, I recognised that such tweaks are not what is required to enable the scale of public spending that our public services need. Our tax system needs to be rethought from the ground up. That process might take two budgets to implement, but it is worth doing.

The Convener: Indeed.

Heather Williams (Women's Economic Empowerment Project): I will follow up on Lewis Ryder-Jones's point about behaviour change. The economic theory behind that is based on the idea that we are all purely rational beings who are driven by money, but that is not the case.

We also need to look at, for example, human resource theory, which tells us that people are not purely driven by money. We are not purely driven by wages in the jobs that we choose and the work that we do. A lot more informs the choices that we make as individuals, and we need to remember that. As Lewis Ryder-Jones said, Scotland has lots to offer. Taxation may be higher, but what we get in return for that taxation is greater in terms of the country that we live in. We are trying to create a better proposition and we need to take that into account as well.

When we think about behaviour change, we also need to think about the fact that, if we are going to grow the economy, we need a healthy population in order to have a healthy economy. We need a population that is freed up and able to work. That means considering our social infrastructure, such as our social care and childcare. The economic impact of the cost of childcare is a massive disincentive for families to work, particularly for women.

When we talk about behaviour change, we cannot just think about taxation. We also have to think about the impact of the lack of social infrastructure on different groups in society. Investing in our social infrastructure brings about a base that allows us to grow our economy because, without that, we have stagnation.

The Convener: I will merge the questions on behavioural change with the taxation section, because everyone is going on to it. I kicked it off, so I have only myself to blame.

Michael Kellet (Public Health Scotland): Public Health Scotland is a public body and does not have a position on taxation, but the economy theme is important. Building on what Heather Williams said, I will contribute something about the symbiotic relationship between health and the economy.

We know from evidence that good jobs are important to the health of individuals and the community. We also know, on the flip side, that a healthy population is important to a strong economy. Public Health Scotland has been doing some work with partners on how we tackle some of those issues, particularly the large number of economically inactive people in Scotland. We think that the latest figure is that somewhere around 825,000 people are economically inactive, of whom 32 per cent are economically inactive because of ill health. We need to think about that.

It is important that we invest the revenue that is garnered from taxation and other revenue more deliberately in prevention and getting upstream. I might say more about that later. In Scotland, we have a poor pattern of public health: we have reducing healthy life expectancy and increasing inequalities. We need to focus on those measures in improving the wellbeing of the population as a whole.

The Convener: We will come to that as we move on.

Liz Smith (Mid Scotland and Fife) (Con): My question builds on what Heather Williams and Michael Kellet just said about economic inactivity. One of the considerable concerns that we have in Scotland is the number of people who are economically inactive; that is partly for health reasons, but there are also a lot of people who do not have health reasons and are not persuaded back into the labour force. Heather Williams mentioned childcare improvements. Do the witnesses have any suggestions about what else we have to do to persuade more people to come back into the workforce?

The Convener: I will let Michelle Thomson ask a question and then will let Heather Williams in again.

Michelle Thomson (Falkirk East) (SNP): My question is on a slightly different theme.

The Convener: Okay, I will let Heather Williams respond to Liz Smith's question and then I will let you in, Michelle.

Heather Williams: The women's economic empowerment project is a joint project between us, the Glasgow Disability Alliance and the women in multiple low-paid employment project. The group said that, if we want to grow the economy, we need to consider the support that is available to support disabled people into the workplace. Many of them want to work, but the social and systemic barriers that we have in society, as well as employer attitudes and behaviours, are problematic and stop disabled people entering the workplace.

Particularly for women, one of the issues that we have is the way in which the social security system works. I refer to how conditionality in relation to universal credit has been increasing. The number of hours that you have to work to be classed as being in employment is slowly increasing, which is a disincentive, particularly in some of our more rural areas where there are childcare issues.

Those things create a perfect storm, and it becomes very difficult for individuals to move into work, particularly when councils are making cuts to things such as out-of-hours care that are not statutory responsibilities. Such cuts make it nigh on impossible for individuals to continue to work or to get good work in the first place.

Liz Smith: That is helpful.

The Convener: Lewis Ryder-Jones wants to come in on this point.

Lewis Ryder-Jones: I agree with everything that Heather Williams just said, and I have one additional point, on terminology. We often talk about employability, but if we step back from what that is often taken to mean, we see that it is based on the idea that people have to come to the labour market, not the other way round. For the most vulnerable people—those who are in households with a disabled person, in households with unpaid carers and in households that are run by single parents, who are mostly women—often the problem is the jobs, not the desire to work. We need to switch our understanding of what employability programmes should be designed to do and have them provide tailored support. Lots of good work on that was done by fair start Scotland but, sadly, that budget has been stripped back. If we can reinstate some of that approach and increase the level of tailored support to those high-risk groups, that can make a massive difference by bringing the labour market closer to the individuals who need it most.

Michelle Thomson: I want to get a flavour of something from the witnesses. We have been focusing a lot on revenue rather than capital.

The Convener: We will be coming on to capital—that is one of our sections.

Michelle Thomson: Well, we are coming on to it.

The Convener: Right, okay.

Michelle Thomson: This is my question, convener.

The Convener: We will not bother having a structure, then. On you go.

Michelle Thomson: I will carry on.

It is important that we disaggregate revenue and capital. David Melhuish, you commented in the Scottish Property Federation submission's that the SPF has a "particular concern" about the "reduction in Capital Investment". ICAS probably has a view on that issue as well. In the light of an anticipated 20 per cent reduction to the Scottish Government's capital budget over the next five years—which we know is significant if we understand what capital can do for an economy—do you have anything to add on that? That reduction represents real challenges for the Scottish Government.

I also picked up a wee throwaway comment in the SPF submission about a 54 per cent decline in construction activity from July 2023 to July 2024, which seems utterly staggering.

Perhaps you could go first, David, and then Alice Telfer might want to come in on this point on behalf of ICAS.

David Melhuish: The 54 per cent figure relates to the build-to-rent sector in particular. It probably ties into some of the earlier comments about perceptions, because much of that money will be coming from long-term investors—pension funds and other major investors—mostly within the UK but sometimes from overseas as well. Perceptions matter. From my experience of being in London for a couple of months in the summer, I know that the Housing (Scotland) Bill was dominating a lot of investors' perspectives on Scotland. It was literally a case of, "We'll not be investing for the time being while we wait to see what the outcome of that is." Unfortunately, since that time, some of that has become reality. Different developments—together representing hundreds of millions of pounds of investment in jobs and in new, modern-quality housing—have been switched or lost or are moving, or the sites are now up for sale.

Our point in the submission was that that represents a big potential loss to the Scottish economy. We know that the appetite is there, because we are seeing it happen south of the

border. Although there were other causes for uncertainty—Allan Faulds made the point earlier about there being other policy decisions on council tax that you were talking about at the time—I think that the housing bill created that uncertainty. We are aware that, since then, we have had the programme for government and a statement by the First Minister, and we must see what comes from those, but that was a key concern.

09:30

There is a 20 per cent reduction in capital investment. Lots of development cannot go forward without infrastructure, but development really kick-starts the economy. We estimated elsewhere that every £100 million in new demand will add a further £73 million to the wider economy at some point. That figure is just for the commercial sector—the total for housebuilding would be bigger. Without that capital budget, it is difficult to invest in flood prevention schemes, in new public transport or road links, or even in education or, as was mentioned earlier, healthcare. Developers do contribute, but their capacity to do so will only ever meet a small part of the overall requirement for infrastructure.

The Convener: Because we have leapt from taxation to capital expenditure, I will bring in Euan Lochhead.

Euan Lochhead (North East Scotland Retrofit Hub): I agree with some of the points that have been made to explain the decline in construction activity. Part of that comes from regulation and part from incentives.

In my experience, regulation is significantly holding back the construction of social housing. There has been uncertainty for quite a long time about what the standards are going to be. A lot of the people I work with just want certainty about those standards so that they can invest, but it has taken two or three years to get to a point where we have standards.

There is also an issue with the incentives to ensure that housing is compatible with net zero. Those incentives all focus on single measures, which means that the supply chain focuses on delivering single measures, such as solar panels or wall insulation, rather than on a comprehensive package of measures. We are trying to develop the North East Scotland Retrofit Hub to be a place where we can take oil and gas workers who have transferable skills, such as being electricians or being able to service heat pumps, and can put them to work on comprehensively improving houses. If we are to do that, the incentives need to allow capital expenditure or funding to be spent on a wide variety of measures and those measures need professional expertise in the form of

something like a retrofit hub to enable professionals such as architects, engineers and surveyors to give advice about what needs to be done to specific houses. We do not want to see specific measures, such as solar panels, for specific houses. The system in my sector seems to be target driven rather than outcome driven.

The Convener: I put that question to Allan Faulds, who has been very patient, to be followed by Michael Kellet.

Allan Faulds: I wanted to pick up on Liz Smith's point about economic activity. Have we moved on from that?

The Convener: If you want to say your piece on that, feel free.

Allan Faulds: My point is about how we think about economic inactivity. For example, if you—and I use that word generally, although we all know that care work is more likely to be carried out by women—are caring for your elderly parent and cannot get appropriate work because taking on more work would not balance out what you would lose in carer support payment, you will be considered economically inactive. However, if you are doing exactly the same thing but are caring for someone else's dad as a paid job, you are economically active. How do we square what we view as economic activity or inactivity? Care makes a significant contribution to the economy and if a person is not providing care for their own father, someone else will have to do that, probably at a cost to the public purse.

I have not come up with a clever thing to say, but economic inactivity is not as simple as saying that someone is not contributing usefully to society. Lots of people who are economically inactive are doing very useful work that would be quite costly to replace. The issue of carers is within the gift of the Scottish Government and I know that it is considering reforms to the carer support payment and thinking about how to set up a social security system that better supports people into work and has less of a cliff edge for people who earn more than a certain amount and end up losing more from the carer support payment than they earn for working extra hours. We need to see a bit of a change in how we think about economic inactivity and what counts as being inactive.

Michael Kellet: I also have a point to make about economic inactivity and I endorse what Allan Faulds has just said about not underestimating the value to society of unpaid carers.

I will build on what Lewis Ryder-Jones said about trying to reach individuals who are further from the labour market. It is not a perfect solution, but we at Public Health Scotland are leading a project with the Government and the rest of the

NHS in Scotland to encourage people to think about the concept of anchor institutions. The project recognises that public sector institutions have important power as employers and that they should think about how they exercise that power as they consider who they bring into the labour market. The NHS is the biggest employer in Scotland and employs around 180,000 people. Each board has an activity plan for its role as an anchor institution and that plan requires the board to think about how to bring new people into the labour market.

We are also working with Sir Michael Marmot and the Institute of Health Equity, which is based at University College London, to look at the Marmot communities approach. There is an emphasis on thinking about the role of the private sector as a good employer and about how the private sector can provide good jobs. A couple of years ago, the institute worked with Legal and General to produce a powerful prospectus on how the private sector should think about its role in improving employability and tackling equalities. I would be happy to share that with the committee if that would be helpful because it is a powerful prospectus.

The Convener: Alice Telfer, I was going to turn to you next anyway, because you have your own contribution to make. In your submission, you said:

“Scottish tax decisions and quality of service provision”

are

“highly sensitive to changes which may compare unfavourably with the rest of the UK.”

Does Scotland ever compare favourably with the rest of the UK? For example, others have suggested that people might want to come to Scotland because of the additional social provisions here, such as free university tuition, free personal care for the elderly or free eye tests and dental check-ups—if you can get a dentist these days. Can you respond to what always seems to be one-way traffic?

Alice Telfer: Can you give me a page reference for that?

The Convener: It is on the third page of your submission, in the second paragraph.

Alice Telfer: I do not see that quote, but I can answer your question.

I do not have any figures, but those are some of the positive factors that bring people to Scotland as an attractive place to live and build a business.

The Convener: I can give an example. We were at the University of Dundee and talked to life sciences people who told us that folk can earn twice as much in other parts of the world but come to Scotland because it is a nice place to live with

good quality of life and where house prices are not too high. I know that people have talked about the increase in council tax but, on average, it is around £700 less than it would be for an equivalent band D property in England.

We seem to hear that nobody will want to come and invest here if we put tax up by 0.1 per cent. Professor David Bell raised the issue of loss aversion, which means that you could give someone £100 and they would just shrug their shoulders but, if you took £100 away from them, it would be the end of civilisation. Loss aversion is an issue.

My apologies. Would you like to make your own contribution to respond to my point about the balance between investing in the social contract—as the Government might call it—and having higher levels of tax?

Alice Telfer: I do not at all disagree with what you are saying. There is definitely a multifaceted approach when people make decisions about what attracts them to Scotland.

The Convener: I apologise, because you wanted to come in on something else, Alice.

Alice Telfer: Yes. I would like to comment on the point that Michelle Thomson raised about capital expenditure. I will respond to that in two steps. First, we believe that managing public finances on longer-term horizons is a crucial tool for meeting the public sector challenges. That is not just good practice, but it better matches the longer-term needs of the public sector. The longer-term horizons will offer greater flexibility to manage the challenges and to think through the consequences and keep aligned with strategic directions and priorities.

Secondly, our view is that short-term decisions for longer-term problems risk being costlier. We agree with David Melhuish’s point that capital expenditure is about investing in the future and helping to promote efficiencies and improvements over the longer term. Normally, capital and revenue costs are split, so that you do not take money from capital to fund your annual revenue costs. However, some bodies are getting permission to vire money from the capital budget to the revenue budget. That is not good financial practice, but it is clearly being used as a pragmatic short-term solution to pressing budgetary challenges.

Lewis Ryder-Jones: On public opinion, a poll that was carried out by the Institute for Public Policy Research Scotland in the summer and that was published on 2 August showed that the majority of Labour, Scottish National Party, Liberal Democrat and Green voters support higher taxation. We are not living in a world in which the majority of people in this country do not want to be

taxed; indeed, it is quite the opposite. Those are often quite slim majorities, but they are majorities nonetheless.

The Convener: I am sorry, but is the issue not that people want others to pay higher taxes, rather than to pay higher taxes themselves? It is the easiest thing in the world to ask people who are not earning much whether they think that those who are earning a lot should pay higher taxes, but we are looking at how that would impact on the Scottish budget and the Scottish economy.

Lewis Ryder-Jones: Yes, and I understand that. The poll actually asked people whether they would be willing to pay more tax, as well as asking about other people, so it was not one-directional. My point is about the perception that we are too highly taxed. Perception is important, but if we start showing some of the evidence that says that that is not the perception among the majority of employees in this country, that might change the perception of investors.

Another point is that we often get into a limited conversation about what tax is and focus solely on income from employment. Of course, important levers remain in Westminster around taxing other forms of income, namely from investment, and there is no doubt that we need movement on that. However, there are ways to tax wealth in Scotland that broaden the tax base away from income, and the most obvious one involves the most immovable asset of all: land and property.

You mentioned that we pay a lower rate of council tax in Scotland. That might be a positive thing for some, but it is not positive for the finances of local authorities across this country. It is realistic to think that we can change the system to make it fairer so that the majority continue to pay a lower amount, by making it a percentage-of-value property tax or shifting towards a long-term model of land value taxation. That would be a long-term approach that would need a lot of work in the interim, but it would make the tax system fairer and give us the potential to raise significantly more income for local government spending.

The Convener: What would the perception be of the differences between Scotland and the rest of the UK in that case? It is clear that the new UK Government is not going down that road. I do not think that it has plans to revalue in relation to council tax or to bring in a land tax, for example. How would the change that you suggest impact on the balance in how people perceive Scotland and England in terms of their standard of living?

Lewis Ryder-Jones: We have seen in recent years that Scotland can be a global leader on issues. This is not for today's discussion, but the loss and damage finance issue is a case in point. Scotland can set an example globally and within

the UK. It is not without the realms of possibility that Scotland can set a progressive direction and the rest of the UK will follow. That said, pressure on the UK Government to implement some of the changes that remain in reserved fiscal powers is vital. It is not one or the other that we need—it is both.

09:45

The Convener: I think that you would have an uphill struggle convincing the voters of that. I have to be honest.

Michael Marra: I am interested in the stability issue in relation to longer-term investment, where we are getting the money from and how it might be spent. Public Health Scotland says in its submission that, in the current climate, there is

“a tendency towards more reactive, short-term responses.”

We are in the third year of emergency in-year budget cuts from the finance secretary and of very short-term decisions being taken within the financial year. Can any of our witnesses talk about the challenges that that creates in the organisations that they represent, whether in the health service or for users of services more generally?

Euan Lochhead: One of the problems that we face in the construction industry is that we do not have certainty about multiyear funding periods. The financial year runs from April to April. In the construction industry, that means that funding is approved in April and projects often begin just before the winter starts. Having three-year funding cycles for construction would make a big impact on construction projects getting off the ground.

In relation to the retrofit of housing, the funding is being cut. The ScotWind financing that was raised is being moved into day-to-day spending, by and large, whereas it was originally ring fenced for net zero. That money would have a significant impact on Scotland's economy if it was put into, for example, encouraging retrofit. People in the north-east who want to transition out of oil and gas could be reskilled to go into retrofit.

It is important that, when we make commitments, we follow them through on a multiyear basis.

The Convener: I think that the Scottish Government is optimistic that that might change after the budget on 30 October. However, as has been pointed out, we already have a five-year 20 per cent reduction in capital, so there will inevitably be reductions here, there and probably just about everywhere.

Michael Marra: Multiyear settlements would be good, but multimonth settlements would be good,

too. At the moment, it seems that projects are being thrown into turmoil in-year because, across the board, budgets are being cut in-year rather than from year to year. However, I am emphasising a slightly different point. I absolutely agree that longer-term, multiyear settlements can help to mitigate some of that but, at the moment, the management of public finances in Scotland is resulting in in-year chaos.

The Convener: There has been reallocation of funding because of pay rises, as we know.

We will move on to public service reform, because we are more or less halfway through our time and that is an important issue to address.

Michael Kellet, you talk about prevention a lot in your submission. Between 2011 and 2016, the Finance and Constitution Committee discussed that in great depth following the Christie commission report, which we still refer back to. In the first three years of that parliamentary session, the finance secretary provided £500 million for prevention, and a number of initiatives such as family nurse partnerships were very successful in the NHS. The difficulty—if John Mason was here, he would certainly talk about this—was that organisations persistently said, “We are keen on prevention if you give us extra money,” but they would not disinvest in projects that were not providing value for money in order to invest in prevention. How do we address that issue at a time of great financial challenge?

Michael Kellet: I do not pretend to have the perfect answer, but I recognise from the get-go that prevention happens—as you said, family nurse partnerships are an example. The work that we are doing in the health service on vaccination is a very good example of prevention. There is investment in prevention that sustains. However, you are right that, in reality, we have not delivered on what the Christie commission recommended, because of the financial pressures that committee members and others have talked about.

As a society, we need to take a step back and rethink our approach to prevention. There is loads of evidence that, if we invest upstream, the return on investment is much greater than it is if we have to provide health treatment or deal with failure in relation to demand. As we say in our submission, it is vital that we focus on primary prevention and tackling inequalities. That will reduce demand on pressed public services, including the health service, and it should free up resource for future investment. Nobody argues with the merits of prevention, but delivering it is the really hard part, particularly at present, given that, as the convener and Mr Marra said, public services are really struggling due to the challenging financial circumstances.

We have made two practical suggestions that the committee and others might want to consider. Demos, the Health Foundation and other think tanks have made the case for making preventative spending a category of public expenditure. There would be resource spend, capital spend and preventative spend. That could give us a benchmark for investment in prevention and allow public bodies to be held accountable for that continued investment over time. That might be a way forward.

The Convener: Hold on a second. Are you arguing that the NHS budget should be divided into those three areas, or are you arguing that it should be divided into those three areas with additional money for prevention? That is not really what we are saying. If we are spending on prevention, we have to look at disinvestment.

I will give an example. In a previous parliamentary session, we took evidence from Birmingham City Council, which had done a lot of work on prevention. It said that it was very difficult because it had to speak to social workers who had done a job for 35 years that had been, frankly, completely useless. Those were its words, not mine—I do not know what was done in that social work department. The council said that it had to get those people to do things in a completely different way, with a different mindset, because the amount of money that that non-service was costing was immense.

I am not saying that any area of the NHS is equivalent to that, but the Scottish Government has, in effect, a fixed budget, and we are not in the days when a cabinet secretary could stand up and say, “By the way, I’m going to allocate £500 million for preventative spend over the next three years, although it didnae work last time because folk just wouldnae disinvest.” Are you saying that preventative spending should come from the money that is allocated to the NHS, with a section hived off?

Michael Kellet: Yes, but it would not be a question of hiving off money.

The Convener: Sorry—that was the wrong expression.

Michael Kellet: We recognise the financial pressures. We are not naive in thinking that extra resources will be coming over the hill, but we think that there should be a focus on prevention.

We recognise that the NHS and other public sector bodies already spend a lot of resource on prevention. The focus of our territorial delivery health boards on supporting the health and wellbeing of children in the early years, through the work of health visitors, family nurse partnerships and so on, is really important, and one of the things that we are arguing for,

suggesting and promoting in the wider NHS community is that it would be absolutely wrong to reduce such funding. There are other examples of current, really important preventative funding. However, we think that it is worth considering creating another category of public expenditure, which is an idea that others have promoted. That would allow us to track preventative investment and its impact over time in a really useful way.

The other important thing, which is married to our first suggestion, is to deliver a system of accountability, particularly for public sector bodies, that focuses on prevention. Public bodies should not just be held to account for immediate delivery; there should also be a focus on the work that they do upstream to prevent people from falling into the proverbial river in the first place. That should be seen as being as important a factor of success as the delivery of more immediate services. A mind shift is needed.

I am not pretending that that is easy. I am, in effect, the director of finance for Public Health Scotland, and I sit in round rooms with colleagues in territorial boards who are wrestling with difficult decisions, because there is real pressure in relation to waiting times and the performance of accident and emergency departments.

The Convener: To be fair, the NHS does a lot. You talked about vaccination, but there are also free eye tests, which avoid problems coming down the line that would cost a lot more.

Michael Kellet: Yes. We give some examples in the two-pager that goes alongside our submission. There are some really good examples of effective intervention. The Childsmile programme has been hugely successful in changing the oral health of children in our society for a number of years now. There are really good examples that we can build on.

The Convener: Indeed.

I have three people who want to come in. I will go to Heather Williams first, to be followed by David Melhuish.

Heather Williams: With regard to public sector reform, we would echo Euan Lochhead's comment that we need to get better at looking at how we use the outcome framework to drive expenditure. We need to become more outcome focused in our budgetary processes, and there needs to be greater transparency. We need to be able to follow the money from the Scottish Government budget to health board budgets and local council budgets to see what is happening with public expenditure in Scotland. It is very difficult to do that, and it is exceedingly difficult when there are in-year changes. Such changes can make things difficult.

One of the other things that we really struggle with—Euan Lochhead touched on this, too—is the siloed approach that we take when we focus on issues in Scotland. A key target, not just for the Scottish Government but for local authorities, is child poverty. We might have child poverty plans, but when we look at, say, non-residential social care charging, child poverty does not come into the consideration. There is a lack of policy coherence in the public sector.

There are also the integration joint boards. We get councils at budget time saying, "We've passed a balanced budget—aren't we wonderful?" while the integration joint board is sitting with £30 million of savings that need to be made. There has been no integration of budgets.

When we think about public sector reform, we need to move away from the siloed approaches that we have when it comes to delivery. We need to think about outcomes and have an overview that allows us to see what something that we do at a certain point will mean downstream and how it will affect the NHS. At the moment, all that we do is to look at our little bit of the pie, whether it is for retrofitting, active travel or whatever. We do not consider what it will mean for other areas.

Part of the problem is that we are really bad at analysing the impact of our decisions. Because of how it is delivered in practice, the public sector equality duty is really poor. Our analysis of the issues, of prevention and of whom our decisions will impact on and whom they will or will not benefit are really poor in the public sector.

The Convener: Thank you.

David, I note that, on public service reform, you have said:

"there is a widespread lack of resource, capacity and ultimately, delivery."

David Melhuish: Yes. For our sector, interactions with public sector services would very often be in the realms of planning or building services, or they could be with statutory agencies, from Historic Environment Scotland through to the Scottish Environment Protection Agency and Transport Scotland. A common theme, particularly in the local services sector, is a lack of resource with regard to people, and a growing concern is that the experienced, skilled people who are there are probably nearing the end of their time. That can have significant consequences. For example, the lack of fire safety experts can delay approvals for developments in buildings or, indeed, for retrofitting and remediation. I am thinking, too, of cladding remediation, given that we are only a couple of weeks or so after the publication of the second Grenfell report. Those things can have very practical consequences for delivering developments.

That said, there is a lot of innovation going on right now. For example, local authorities are investing in graduate apprenticeships and they have had some good successes in that respect. The same is true of certain educational institutions. For example, the University of the Highlands and Islands has, I think, increased its construction and built environment course on the basis of graduate apprenticeships. I highlight the Scottish building standards hub that is hosted by Fife Council, which was launched just a couple of weeks ago. It should help to create consistency and, I hope, efficiency and improved performance across Scotland in that field. I note, too, that the planning hub was launched in the programme for government last week, albeit that we hope that it will move beyond concentrating on hydrogen and go into the wider planning areas.

The resource pressures have clear and practical consequences for the economy. They delay things, which is a concern for our members. We have always said that, on the planning side, our members are happy to pay a higher fee; all that we wish is to see improved performance going along with that. Of course, the Government is investing in planning, too.

10:00

The Convener: I note that you got that comment about higher fees in. I call Lewis Ryder-Jones, to be followed by Jamie Halcro Johnston.

Lewis Ryder-Jones: I want to touch on preventative spend, which Michael Kellet talked about, but also on impact assessments and the problems that Heather Williams outlined with regard to seeing budgets and outcomes.

The year before last, when the First Minister was still the Deputy First Minister, this committee held an inquiry, which a colleague of mine gave evidence to, on what needs to happen with the national outcomes and the national performance framework. In your report, you made it quite clear that the national performance framework needs to become the “golden thread”—I think that that is the term that was used—that goes through all other policy and spend. We fully agree with that. The national performance framework, as I said at the start of this morning’s session, is a really powerful wellbeing tool. In fact, our assessment at Oxfam—we work on these things globally—is that it is one of the best in the world. However, it is quite clear that it is not being used and it does not drive policy and spending. My question is: why is that?

Oxfam’s answer—others such as Carnegie UK and the Wellbeing Economy Alliance fully agree; indeed, some really interesting research on the matter came out just last week—is that the

accountability through the legislation that underpins the national performance framework is very weak. At present, a public body just has to have due regard to the 11 national outcomes. How is that going to drive change towards any of them?

The Scottish Government committed to bringing forward legislation to change that back in 2021 but, sadly, that proposal—the wellbeing and sustainable development bill—has been absent from every programme of government since then including the most recent one. There is detailed research on what such a bill could achieve in terms of accountability and through strengthening the wording around national outcomes. Public bodies, the public sector, the Parliament and, potentially, civil society and others should not just have regard to the national outcomes; they must show how they are progressing them. That means having preventative spend and long-term thinking and aligning budgets with outcomes. We need a decision-making context that allows that accountability to take place. Currently, we do not think that it is there.

The Convener: The committee will be taking evidence on that immediately after this session, Lewis.

Jamie Halcro Johnston (Highlands and Islands) (Con): I go back to Heather Williams’s point about silos. In an area such as the Highlands and Islands, if people find it hard to keep their homes warm—indeed, we have some of the highest levels of fuel poverty anywhere in the country—they are, unfortunately, more likely to need NHS services. However, those services are under huge pressure.

You talked about silos, Heather. Even in the health service, primary and secondary care are not really integrating, and as a result, more pressure is being put on, for example, the Scottish Ambulance Service, which is not directly under the control of NHS bosses.

We have talked very generally about public service reform across the country, but is such reform almost more important in rural and island settings than in other areas, simply because fewer choices and alternatives are available?

Heather Williams: From my experience of working up in the Highlands for a period of time, I know that rurality leads to many issues with regard to people’s experience of not only delivering but engaging with public services. We have been doing some work with the north Highland women’s wellness group, particularly in relation to women’s health services in the Highlands. That is a perfect example of a lack of analysis of decision making impacting on individual groups—in this case, women and their ability to work and contribute to the economy.

We absolutely need to take rurality into account. However, that siloed approach is often the problem. For example, when it comes to the delivery of health services, we go to one place for one thing and another place for something else. People do not live their lives like that. An issue with my housing can impact on my health, my finances and my ability to work. We need to look at more place-based services, as opposed to the siloed approach whereby the health service does one thing and the local authority another, and we have a pretend integration that does not work as intended and certainly does not provide better outcomes for the most vulnerable, who need those services to work for them.

Michael Kellet: I have a couple of quick points. I echo what Lewis Ryder-Jones said about the national performance framework: it is potentially powerful, but that potential has not been realised. That goes to what I said earlier about accountability being key in national performance and national outcomes. As we said in our written submission, there is a clear implementation gap. Like Lewis, we were and still are supportive of an approach that encompasses wellbeing and sustainable development, which could build on the experience in Wales, from which we in Scotland can learn an important lesson.

Secondly, the whole-system approach that colleagues have talked about is important both nationally and locally. We have an instrument for that in community planning partnerships, which bring together key players locally. Work is under way to see whether that model can be improved.

One thing that might bring some value to that table is the work that I referenced earlier that we are doing with Sir Michael Marmot and the Institute of Health Equity. By the end of this year, we hope to have three emerging Marmot communities or cities—whatever we might call them—in local areas across Scotland. We are also doing work with Michael Marmot at a national level, based on the experience in Coventry and other Marmot communities, which will help us think about improving and changing the dial on some of those outcomes—in particular, from our perspective, in health and wellbeing—perhaps through bringing together partners locally, including from the voluntary, public and private sectors.

Euan Lochhead: I come back to the point about different parts of Scotland having different requirements. In the Highlands and Islands, where we do a lot of work, fuel poverty is much higher than the national average. That is partly because the electrification of heat has already happened in the Highlands and Islands, to a large extent, without focusing on the fabric of the buildings. If, in our investment, we focus on the fabric of buildings,

that has, as we discussed, an impact on various outcomes, including those for health—as has been recognised by the NHS in Scotland, which has prescribed heat for some people.

The issue also impacts on people's ability to work. Living in a cold home affects your motivation.

To take housing as an example, we must look at what the outcome needs to be and at the wider impacts on someone's life other than their paying less in energy bills.

It is about focusing investment on the things that will have the biggest impact on the widest range of outcomes. Reducing the demand from housing does that, whereas just installing a heat pump to replace the gas boiler may be much cheaper initially but might lead to the person paying higher prices—and may even make their home colder if there is no focus on the fabric-first approach.

We need a way of getting professionals involved in the development of fabric retrofit projects, and central funding is needed to stimulate investment from the private sector to encourage activity in that field.

Ross Greer (West Scotland) (Green): David Melhuish's point about planning led me to think of a question. I am interested in folk's thoughts about reform of the level at which Government power is set. Planning is a good example. Planning fees are not set by councils; they are set nationally, and many councils make a loss, which does not incentivise them to resource their planning departments properly. That has a knock-on effect of significant delays for developments. The issue has been consulted on recently, so we might well see progress on that.

There is perhaps a wider question, however. If we are talking about public sector reform and efficiency, do you have any examples around tax spend, a final levy or a charge such as planning fees and whether those powers are at the right level of government to get the most efficient return?

The Convener: Alice Telfer has quite a lot to say about reform. I am not going to quote her document just yet, but I might—I have it sitting right in front of me.

Alice Telfer: Yes—I will need to find the appropriate spot in the document.

I have two points to make. The first is on reform and the second is about maximising efficiency of expenditure.

The definition of reform is not just about major structural change. Reform can also be a series of small steps that can be quite powerful, which could include comparisons with other bodies,

sharing data and good practice, and reducing variations. It is also about encouraging and promoting the culture of focusing on continuous improvement and encouraging ideas from staff and other stakeholders.

The second point is about maximising the efficiency of expenditure, which we covered in our submission. The point is about having clear evidence of need and how specific actions support delivery in that regard.

It is important to understand whether consistent use of impact assessments—which I believe Heather Williams raised—has the intended impact. If not, it is about going back and reviewing what needs to be done. Part of that might involve earlier intervention and scrutiny to check that the foundations are in place, and building a stronger focus on value for money, given the financial circumstances. It is also about what we can learn from benchmarking and investigating productivity, and understanding where that might be causing a blockage.

The Convener: You say in your submission:

“Improving productivity is a key gap in the strategy. More emphasis on understanding productivity and why it is decreasing or fluctuating or varying across Scotland, and what can be done to address this is critical.”

How do we do that?

Alice Telfer: How do we do that? The managers are best placed—

The Convener: That is a bit too rhetorical. The committee is looking for answers.

Alice Telfer: On the specifics, quite a lot of work is probably already being done, and I have given an example of the NHS, but it is maybe not communicated well enough for the general public to understand how it is being taken forward.

The Convener: Heather Williams, on participation, productivity, Scotland’s economic growth and growing tax, you say in your submission:

“There is an urgent need to invest in disabled people’s employment and to address the systemic barriers that prevent disabled people from accessing employment.”

You have already touched on that. Can you expand a bit more on it?

Heather Williams: Yes, absolutely

The Convener: The perspective is so huge.

Heather Williams: One of the concerns of the group that we worked with when we looked at the four Government priorities, particularly for the disabled women who were present, but also for the women from the women in multiple low-paid employment group, was that when we talk about growing the economy, some of the rhetoric that we

use in the UK is about people who are “economically inactive”. I have to say that, as an organisation, we really do not like the term “economically inactive”, because none of us are economically inactive—we will all be doing something that benefits the economy, whether that is in paid work or not.

10:15

The group was also very concerned about some of the rhetoric that we have around growing the economy and social security, particularly for disabled people. We need to look at productivity and how we can increase the number of people who are available to work in Scotland and consider those structural and systemic issues. Often, those systemic issues happen because of public sector failures. It is about our not seeing the needs of disabled people and women and about taking gender-neutral and gender-blind approaches to our policy and design of interventions, which impacts negatively on individuals.

On employment for disabled people, the question is about what society can do. It is about looking at how that interaction between taxation and the benefits system works, taking into account the additional costs that disabled households have and thinking about what support individuals need to be able to get into work.

It is also about employers and employer attitudes. Lewis Ryder-Jones mentioned the carrot and the stick and the incentives that Governments can use to encourage employers to take on their responsibilities and to consider how they can support people with lots of diverse needs in the workforce. You increase productivity through having well-supported, healthy individuals as your employees. It is about what the state, but also business, can do for disabled people.

The Convener: It is also about looking at yourself. When I was in Glasgow City Council, it passed a motion that any organisation that had contracts with a local authority would need at least 3 per cent of its workforce to have disabilities. That does not seem very ambitious now, but I found out that, in the council itself, less than 1 per cent of the employees had disabilities. Sometimes, people are looking outwards and not at their own organisations.

Lewis Ryder-Jones: I want to pick up on a point that Mr Lochhead has made about retrofit of houses and the cost that it will mean for Scotland. Also, I want to acknowledge that Ross Greer asked a question and I missed it, so I apologise—I would have tried to answer it as well.

We did some work last year with IPPR Scotland and the Scottish Federation of Housing

Associations on exactly that point about what the cost of retrofit would be and how should it be distributed to ensure that all houses, whether rural or urban, can retrofit to the level that is needed and install green heating systems. We found that the investment is less than a third of what it needs to be annually to reach the target and, more importantly, the research also uncovered that the best way to pay for retrofit—the way that makes it cheapest for middle and low-income households—is through progressive taxation, not through loans and up-front costs that the household pays for.

That brings us full circle to the point about perceptions. Tax and spend are highly connected. We need to make the case that it is more efficient to deliver significant investment in something such as heat in buildings through progressive taxation than to do so through households fronting that cost and taking on loans and debt. I bring it back to making the case for progressive taxation to go further than it already has if that will ultimately make retrofitting cheaper for households.

The Convener: However, investing in retrofitting houses is, really, capital, which in effect the UK Government dictates. With a limited amount of capital, which might or might not increase after the budget, should the Scottish Government invest more in retrofitting houses to reduce heating costs, for example—which might have an on-going health prevention benefit—or more in more affordable houses? I know what Euan's answer would be, but I am just asking you, Lewis.

When I was a councillor, I remember that my local repair team was aghast when I said that I wanted the windows in 1,500 houses to be—I do not know what the word is, but you rethingummy them—

Michelle Thomson: Replaced?

The Convener: No, not replaced. I am talking about when you make the windows wind and watertight, but you retain the same windows. There is a word in my head. They said to me, "You do not want to do that, councillor. You want to get new windows put into 50 houses, and then you can get a nice photograph taken in front of them, rather than repointing them"—that is the word that I was searching for. I said that I wanted them to be repointed.

The point is that it is about how you allocate resources effectively. If you had the money, would spending it on retrofitting be a better use of the overall Scottish budget, if we think of its impact on people's health and wellbeing, rather than spending it on building new houses, assuming that we had the skilled workers who were trained in number to do it? I am being devil's advocate.

Lewis Ryder-Jones: Straight up, I do not take a view on that, and neither does the research that we worked on with IPPR Scotland last year. The crux of the case that we are making is that, for existing housing stock, which includes social housing, it is more cost effective for the household for that cost to be included in progressive taxation. That would be not only more cost effective for middle and low income households, but fairer for everyone than expecting households to take on the cost themselves.

The Convener: I do not have to be a Mystic Meg to know what Euan Lochhead is going to say, but I will let him say it.

Euan Lochhead: You make a good point. Other countries in Europe are doing similar things. For example, in Ireland, significant funding of up to €50,000 per household is available to upgrade a house to a certain energy efficiency standard. Two things would drive investment: having the standards and incentives in place. It is not about just having money to upgrade a house; that money also would build an industry with high-skilled, well-paying jobs. Over time, that would become the norm. Unfortunately in this country, we have some of the worst housing stock in Europe. We have a much longer way to go to upgrade it and a lot more investment will be needed to do so. Once people see the benefits of retrofit across all tenures, that would drive people to start to want more from their housing, rather than putting up with a mouldy and damp corner in their bedroom, for example.

The Convener: The difference between houses in the Western Isles and the Faroe Islands is incredible—and not to the benefit of the people in the Western Isles.

Allan Faulds: I will come in on Ross Greer's question about where powers lie and public service reform. As a general principle, the ALLIANCE agrees with localism and the idea of taking as many decisions as possible at the most local, community level possible, because, apart from anything else, taking decisions at a higher level can feel very disempowering for people in local communities. However—this is a risky comment, not so much in the committee room, but in council chambers across the country—people need to not be overly protective of their current remits and think instead about what would work best for people.

Take the specific example of social care, which we are very concerned about. The National Care Service (Scotland) Bill is progressing through the Parliament, which other colleagues will discuss and other committees will talk more about. At the pre-budget scrutiny evidence session last year, a representative from local government said that they did not like the term "postcode lottery",

because the decisions that are made are different, local, democratic decisions. However, if your local council has democratically decided that you are not going to receive care, or that you will have to pay through the nose for additional charges for care, that is pretty cold comfort. You will not be filled with love for the concept of subsidiarity. A difficult balance needs to be struck between ensuring that there is a degree of local flexibility so that needs in different areas can be responded to, including in urban, rural and island areas, and ensuring that there is a basic floor for standards that people will not fall below. Such a floor would mean that people's rights would be upheld and that they could access fundamental services.

When we are talking about public sector reform and the balance of power between national and local government, it is important to get the balance right and to not do things just because that is the way they have aye been, or for fear of upsetting one level or another of government. Instead, we should think about what will work best for people.

On the point about social care, I note the example of Aberdeenshire versus Moray. Someone who lives in Aberdeenshire just across the border from Moray will get less access to social care than those who live across the border. Local government issues aside, that is not fair for people, and it does not deliver on their basic human rights and needs.

The Convener: It will be interesting to see whether the national care service will resolve such issues, which it is supposed to.

We are almost at the end of our time. I ask all our guests to have a wee think for a minute or two about any final points that they want to make on any issue that we have not covered or on anything that we have covered that they wish to re-emphasise. The person who will be last to give his view will be Allan Faulds, because he went first earlier today—you have more time to think, Allan. I am looking for volunteers to step up to the plate; otherwise, I shall do eeny, meeny, miny, moe. Lewis Ryder-Jones has volunteered. On you go, Lewis.

Lewis Ryder-Jones: I am just trying to get it out the way for you, to be honest.

We have not yet discussed one of the things that the call for evidence questions focused on in relation to tax, which is the tax strategy. We expect to see the strategy in November, before the budget in December. Obviously, it has been framed as building on the 2021 framework for tax, which we assessed as part of our evidence submission.

I want to emphasise that, as the Government develops the tax strategy through the consultation that is taking place over the next six weeks or so,

we must see beyond the conceptual side of things that the 2021 framework did quite well to articulate. It had strategic objectives and expressions of what tax should be for, but it failed to adequately articulate how the Scottish Government intends, in practice, to use and reform devolved taxes to deliver on objectives. The new strategy must do that. It must move beyond a theoretical model and set a clear, strategic direction for tax, which includes making choices on whether we want to use the tax system to redistribute or to do other specific things.

The final point on the tax strategy is that, in 2021, the framework for tax set out a programme for work. However, very little of that programme was delivered on. Some work remains unstarted and other work is delayed. We think that the tax strategy must transparently commit to a series of work that aligns to the strategic objective that the strategy lays out.

The Convener: I noticed that, throughout your submission, you say things such as that Scotland's income tax system needs to

"raise more money ... than the rest of the UK"

and that we need to enable

"significantly more public spending on people, public services and green infrastructure"

to improve the

"adequacy of social security entitlements".

However, you have been coy about how much additional resources should be raised to do those things. Is it an extra £10 million, an extra £100 million or an extra £1 billion?

Lewis Ryder-Jones: Organisations have been quite clear. To pick an example from the array of things that we think more money should be spent on, let us go with the Scottish child payment. If we were to increase that up to the £40 a week that is necessary, there would be quite a clear figure attached to that. To be honest, the figure has slipped my mind right now, but it is in the hundreds of millions of pounds, and it could be costed and paid for by specific changes to taxation.

The Convener: How much additional money would you raise? That is the issue.

Lewis Ryder-Jones: The short answer is that I do not have a response. However, it is a lot.

David Melhuish: I have a quick point to make about incentives for retrofit and redevelopment, not just of homes but with regard to a lot of the latent potential that exists in the country. There are a lot of older buildings that need to be changed radically, including office buildings that, in many cases, will not return to being offices. There are listed buildings that need to be brought back to life, usually in great locations in urban centres.

I would like there to be an emphasis on incentives to get people to invest in their own homes or older buildings to bring them back to life. That touches on things such as providing support for property improvements and not just charging vacant rates to the maximum, because that will not attract people to invest.

Progressive taxation is great. I like the idea of grants for people, but the few millions of pounds that were raised last year through the change to tax bands will not make much of a dent in the overall requirements for retrofit.

Michael Kellet: I have majored today on a shift to prevention and on making that practicable, and I have talked about the importance of improved accountability to make that happen. One thing that I did not mention and that is probably important to recognise is the audit environment in Scotland. In Public Health Scotland, we have seen from the Accounts Commission and Audit Scotland an increasing recognition of their power in holding public bodies to account in relation to their focus on prevention. That feels positive from my perspective, so I thought that I should share it.

10:30

The Convener: I am not getting any volunteers, although a guy called Euan has just caught my eye.

Euan Lochhead: In the context of this committee, investment in housing as infrastructure could stimulate a lot of growth in the Scottish economy. That needs to be consistent from year to year to enable industries such as the one that I work in to grow. Just now, the retrofit industry is very fragile and young, but in other countries such as Ireland and Germany, which have provided significant funding, that has given the industry a chance to develop. That gives an opportunity for people in industries that are looking to transition to a net zero future, such as oil and gas, to reskill and drive improvements in the Scottish economy.

Heather Williams: We have touched a little on the lack of accountability that there often is around the outcomes from public sector investment. We need to get better at linking the decisions that we make to the outcomes that we are trying to achieve and at monitoring and evaluating those. For us, it is important that we use a gendered lens in decision making and that we recognise that the decisions that we make have a different impact on men and women in society because of our norms and expectations. If we do not do that equality analysis, we will end up making life worse for those who are most vulnerable in our communities, which is what we are starting to see in decisions that are being taken, particularly at a local level.

As I said, there is a lack of policy coherence. The programme for government talks about preventative spend and using community places but, when we look at the decisions that are being taken at local level, we find that we are cutting back on those things. There is a lack of coherence between what we say that we are trying to do and what is being achieved on the ground. We need to ensure that we use that equalities lens, or it will end up costing us more money in the long run.

Alice Telfer: We make three main points in our written submission. One is about promoting a long-term approach to planning. Another is that we need a holistic approach to revenue generation and cost reduction—it is not just about tax, and a tax is not a silver bullet. The other point is that, in the context of limited resources, it is important to have strong alignment of the priorities, including the cross-lateral and cross-cutting aspects of services, and to understand the trade-offs.

In case there was a misunderstanding earlier, I would like to reaffirm that the Scottish Fiscal Commission's point on the behavioural aspects is significant and important, even though it is difficult to quantify. The SFC offers strong credibility on the point that that is a risk that perhaps needs to be looked at.

The Convener: With long-term planning, you are talking about 10, 20 or 30 years, but there are different Governments and stuff like that, with different policy priorities. How practical is it to think that a Government would stick to priorities that someone else decided on umpteen years ago?

Alice Telfer: The point is that the long-term nature of public service needs does not sit well with a 12-month or a two or three-year strategy, especially on the capital side. If you want to promote investment to improve future services, that could be on an extensive timescale.

The Convener: Your written submission states:

“The Scottish public sector is also comparatively larger than the rest of the UK and better paid with a widening gap.”

For example, 17 per cent of the workforce in England is in the public services, whereas the figure for Scotland is 22 per cent and the average salary for the same job is £2,400 higher in Scotland. Do you want that gap to be narrowed?

Alice Telfer: That was really just an example of the decision-making process, rather than a comment about policy. The figures cited came from a Scottish Government document.

The Convener: I turn to Allan Faulds.

Allan Faulds: I will end by re-emphasising the constant call by the ALLIANCE for a human rights-

based approach to all aspects of public finance, including spending and revenue raising.

We can speak, and have spoken, about growth, behavioural change and divergence from the rest of the UK and we could do that until the cows come home, but our starting point should not be to discuss the level of taxation that we think is acceptable. We should start with what kind of society we think is acceptable in the light of our human rights obligations and then build taxation and spending around that. We should also take on the hard task of reshaping the narrative to that end instead of accepting current narratives as being unchangeable. MSPs should take the lead on that.

I go back to something that David Melhuish said earlier about how we have been trying no growth since 2007. We did not try no growth; we tried austerity, which has dominated my entire adult life. I was applying for university when the economy went to pot in 2007. The ALLIANCE, large parts of civil society and—crucially—many economists have been absolutely clear that austerity has not worked and did not work. We therefore push back very strongly against any glib suggestion that tax cuts and belt tightening will even grow the economy in the first place, because that has not been experienced in recent years. It certainly will not give us an economy that works for people and where they have good quality of life and see their human rights being upheld.

The Convener: I thank all our guests. We have run slightly over time, but that was worthwhile to get as many contributions as possible. I hope that everyone feels that they have been listened to. We will take your views into account when we produce our pre-budget draft report.

We will continue taking evidence on the sustainability of Scotland's finances on 1 October. Next week, we will discuss digitisation and reform with Estonian MPs, officials and relevant organisations because we are off to Estonia for a few days to address those issues.

We will take a five-minute break to allow for a change of witnesses before moving on to our next agenda item, which is about the national performance framework.

10:37

Meeting suspended.

10:43

On resuming—

Proposed National Outcomes

The Convener: The next item on our agenda is our first evidence session in the joint committee inquiry into the Scottish Government's proposed national outcomes, which form part of the national performance framework. I welcome to the meeting: Sarah Davidson, chief executive of Carnegie UK; Dr Max French, assistant professor, Newcastle business school, Northumbria University; Dr Alison Hosie, research officer, Scottish Human Rights Commission; and Lukas Bunse, policy and engagement lead, Wellbeing Economy Alliance Scotland.

I intend to allow up to 90 minutes for this session. As with the previous panel, if our witnesses would like to be brought into the discussion at any point, please indicate that to the clerks and I will then call you. I thank you for your written submissions. We will move straight to questions.

One of the first things that I should ask about is the fact that none of you seems to be particularly impressed by the fact that the national performance framework is to continue to be called the national performance framework. Is that right?

Sarah Davidson (Carnegie UK): I will take that one first. I thank the committee for its invitation to give evidence today.

As the national performance framework, as it is currently titled, has evolved in recent years, it has come more into line with our international comparators for what is called the wellbeing framework. That framework exists in many countries that are more local to us—in Wales and the North of Tyne here in the United Kingdom, and in places around the world such as Canada, New Zealand and some of the Scandinavian countries.

10:45

When we talk to people about the concept of wellbeing in the sense of thriving and living well together, we find that they can understand it. Wellbeing can encapsulate many of the economic, environmental, democratic and social outcomes that the framework in Scotland aims to achieve. In our experience of talking to people about the national performance framework, it is much harder to communicate with them about that and get them excited about and engaged with it.

The title is misleading. In our view, a wellbeing framework should not be about measuring the performance of individual services or directorates of the Scottish Government; it should be a vision

of how people would like their country to be in the long term, and one that can align them behind it.

Carnegie UK was unconvinced by the Scottish Government's contention that changing the name now would result in brand dilution. In our experience, although the brand might be recognised within public services—always remembering that recognition and effective operation are two different things, as the committee recognised in its inquiry in 2022—there is a huge amount of untapped potential to engage people beyond public services in a wellbeing vision for Scotland. That is why we are disappointed that the Government has not accepted that recommendation.

The Convener: Yes, I think that the name is a bit dull as well. I have to say, though, that I do not think that the inclusion of the word “framework” in any title is helpful.

Does anyone else want to comment on that before we move on to other stuff?

Dr Alison Hosie (Scottish Human Rights Commission): I have a quick comment. I agree with Sarah Davidson. If wellbeing is the key focus of what the framework is meant to do and work towards, it would have been a good opportunity to put that in the title while we are trying to rebrand it and reinvigorate people's enthusiasm for it.

However, it is also key to remember that the difference is whether public bodies and decision makers use the NPF to guide policy and improve outcomes. The name is important, but what truly matters is how it is used and implemented. That all needs to be thought through. We have been buying into wellbeing, which is a good concept, and a global one, but the use of the term should still be thought through.

The Convener: Max French, you were not impressed with the consultation exercise that the Scottish Government carried out.

Dr Max French (Northumbria University): Yes, among other things. There is emerging international consensus on how we should conduct consultations on setting national goals.

We started off with a single online survey as our baseline, but international practice has become much more ambitious. We see searching, large-scale participative processes and national dialogues that are set out over a long period of time to engage all sectors of society in setting national outcome goals. We recognise that the legitimacy of the framework and, ultimately, the political power that it commands, is due in large part to the quality of the consultation.

I was disappointed to see the levels of resourcing and attention that were given to the national outcomes consultation, particularly given

the criticisms of the 2018 version. The most recent consultation seemed to be more or less a repetition of that, with some additions about community participation and workshops. I felt that it could and should have been more ambitious than it was.

The Convener: Lukas Bunse, you also seem to feel that the Scottish Government paid lip service to the consultation. Your submission said that you were

“very disappointed with the Scottish Government's lack of investment into a meaningful consultation process”.

Lukas Bunse (Wellbeing Economy Alliance Scotland): Yes. I echo Max French's comments. It shows how important this was to the Government when we consider how much money it was willing to spend on it; its approach seems to have been to spend as little as possible. As Max French said, if we want the wellbeing framework to be a vision for Scotland that people know about, through which we can hold decision makers to account, it should guide actions towards creating such a vision. It is a nice vision. Which of us would not want to live in the world that the current national outcomes, and perhaps the new ones, set out?

However, at the moment, it is just something at the sidelines that most people in Scotland probably do not know about. The consultation would have been a chance to increase awareness of it and its legitimacy. Instead, in some respects, we have gone backwards. I was not around the previous time but, as far as I am aware, there was more consultation, definitely on the community side, so that is disappointing.

The Convener: With regard to policy priorities, in your submission, you said that there should be

“an emphasis to include the voices of those that are seldom heard”

and

“a recognition that a thriving democracy requires opportunities for participation to be accompanied with the sharing of power”.

Can you expand on that a wee bit for us?

Lukas Bunse: The focus of the Wellbeing Economy Alliance is on redesigning our economy to serve the wellbeing of people and the planet now and in the future. That framework and vision is important as a guide for policy making, to ensure that it is coherent and linked up, and to put that different purpose at the heart of the economy.

For us, one of the important principles of a wellbeing economy is that participatory element. Decisions should not be made from the top down. They need to be inclusive, especially of the people who are most impacted by the failures of our current economic system, because they do not have enough money to buy essential food, or they

are not able to access transport to the places that they need to go to. Often, those are not the people who respond to an online consultation form, so you have to go to them, because they have other things on their mind than responding to the latest Government consultation. That is where those priorities come from.

Dr Hosie: With regard to that inclusivity, in work that the commission has been doing recently in the Highlands and Islands to look at economic, social and cultural rights, one of the aspects that is coming through from that data, as well as from Audit Scotland's recent report, is on digital connectivity and the large proportion of people, particularly in remote and rural Scotland, who do not have the right access to be able to participate. That is just one thing that highlights the digital divide in how people are able to participate.

If the NPF is to be our vision for Scotland, everybody's views have to be part of it. The NPF team did its best with the data that was available, but the team should have been afforded better resources to show the Scottish Government's commitment to the process, as was mentioned.

The Convener: Max French, you are not particularly impressed with how the framework national outcomes are being implemented. When I was reading your submission, I sat with my yellow marker thinking, "Oh, that's a really good point", and I annotated loads of your points.

For example, you say:

"Scotland has lacked a credible—or even discernible—implementation strategy for the NPF since its founding in 2007."

You said that the NPF is "internationally recognised", but that

"even when organisations want to adopt and implement the NPF, they lack the tools, guidance and know-how to implement them operationally."

You are of the view that the NPF is a good idea and that people outwith Scotland have recognised that, but that the framework is not having much impact on the ground. Obviously, I have your submission here, but I am keen for you to talk about that particular issue.

Dr French: Thank you for going through the tome of that submission.

The Convener: I always do.

Dr French: The frustrating thing is that we are not far from being able to envision a national infrastructure that puts the framework into practice, and we do not have to look far afield to find one. We can look at Wales and see how its Government has riven its wellbeing goals, objectives and indicators into how it develops policy. We have practical examples of that in the

report that I published with Carnegie UK, and we can go into detail on how, in planning, implementing and monitoring policy, the wellbeing framework has contained that process. There is nothing in its legislation that directs the Welsh Government to do that.

Northern Ireland has not had a Government, ministerial oversight or an Executive, and it has not had parliamentary scrutiny forums such as these, but it has still managed to use its framework to conduct Government business. Northern Ireland has a much stronger link with local government and community planning than we do.

The Republic of Ireland uses its wellbeing framework in budgeting. The framework has been in operation for a year or two, but it has got further down the road than we have. The solutions are there. The NPF has not been taken seriously as a fundamental principle and the national outcomes are not paid due attention. We have a legislative directive, but it is not strong enough and not clear enough about what it is. It says that if you are a public body or a body that is involved in carrying out significant public functions, you should have regard for the national outcomes.

If we look through the Government's recent output, we see that the NPF is not mentioned in the green industrial strategy and there is no regard for the national outcomes. The NPF is mentioned in the transport strategy for 2020 but the national outcomes are not. There is no mention in the biodiversity strategy. If we look at the Welsh Government's versions of the national planning strategy and the transport, recycling, net zero and marine strategies, we can see how the wellbeing framework has been used.

We are in a situation where the actions are in place and the directions forward are quite clear, but from my perspective, it is a matter of them not being followed.

Liz Smith: On that point, irrespective of the debate about the nomenclature, do we need a national performance framework?

The Convener: Cat straight among the pigeons.

Sarah Davidson: I will answer that one first. The short answer is yes, and I will say why I think that is the case. Whatever you call it, the value of a framework is that it can set a long-term vision that sits above the day-to-day noise in the system. Since the framework was first put in place in 2007, the day-to-day challenges of Government have only become greater. Individual services understandably focus on dealing with the problems of today and they can consume everybody's time and attention. Absent a long-term strategic framework that sets out longer-term goals for a population as a whole, that is a significant risk. Indeed, the reality pre-2007 was

often a focus on short-term goals without an understanding of how they were going to lead to longer-term objectives for the population.

There is an issue about how you raise your eyes from what you have to do today to understand the long-term goal. The other critical thing that it should do is enable public services and, indeed, other agencies and actors to understand their respective contributions to the delivery of outcomes horizontally. Again, we know that, absent a coherent framework, there is a high risk of fragmentation across different agencies. As Dr French described, in places such as Wales, which have that coherent framework in place, individual agencies understand what their integrated contribution to long-term outcomes looks like, whether it is in health, environmental outcomes or educational outcomes. That seems to be an important part of good governance and good administration.

Liz Smith: That is interesting.

Dr Hosie: The NPF is a high-level document, but it cannot sit up there and not be used in practice. In recent years, we have talked a lot with the finance committee in pre-budget scrutiny about the disconnect between the NPF, which states our national ambition, the budget, which is what provides the resource to deliver on our national ambition and, in between, the programme for government.

For me, the NPF sets out what kind of Scotland we want, and from that, the annual programme for government should answer to those national outcomes. How will it deliver on them, and how will the budget resource that? Those connections are just not there now. We cannot make those lines between the two.

This morning, in your earlier evidence session on scrutiny of the budget, issues around disinvestment were raised. How do you know when something is working or not working and what you should invest in or not invest in? Unless we look from an outcomes-based perspective at what is working and what is not, we will not invest in the right things. Those three policy documents, which are probably the three most critical documents that the Scottish Government produces, need to talk to each other.

11:00

Lukas Bunse: I will build on that briefly. That is really important in the sense that many of the challenges that we are facing, such as climate change and poverty and inequality, are long-term challenges. We are not going to get to grips with them over the course of one parliamentary session.

If we want to ensure that we create a better society, we need a long-term perspective and long-term goals. We also need all those perspectives and goals to talk to each other and to ensure that somebody who is working on one goal is not accidentally making the situation in relation to another goal worse—or, if they have to do that, we at least need a way to think that through. At the moment, that is not happening.

Some of my colleagues use the analogy of a Rubik's cube, which I think is really good. When you are trying to solve it, you have to think about all the sides, because if you try only one side, you will make the other sides worse again. That is what the NPF is for. Ideally, as Sarah Davidson said, that should sit a bit above the political frame with regard to what we all agree on. We might disagree on how we get there and the specific policies, but at least we have a common destination. That sounds abstract, but it is perfectly possible to do that. An example is the wellbeing budgeting work that has been going on in New Zealand, and there are a few other examples. It is not easy, but you can do that kind of analysis when you set budget lines and policies to think about how they impact different outcomes at the same time.

Liz Smith: Why do you think that the three documents are not talking to each other? Where does the problem of the lack of coherency lie?

Dr Hosie: In reading the budget in the past few years and trying to scrutinise whether it is delivering on economic, social and cultural rights, which is where my focus has been, it has been difficult to see the links between budget and delivery on outcomes. The equality and human rights budget advisory group has been doing a lot of work on trying to improve the synergy between those documents.

A lot of work has also been done in the past few years to try to improve the understanding of which national outcomes and which human rights frameworks are relevant to different Government departments and to reflect that in the budget—to think through, from the starting point of a budget, what impacts the decisions have on people. That bit is still missing. It feels as though we see what those impacts might be after the fact—after the decisions are made. I do not think that what we are trying to do in delivering the national outcomes is reflected in the budget.

So that we can be held accountable for our actions and outcomes, during the past six or seven months, the SHRC has been trying to better understand what contributions we make to impact. It is sometimes quite difficult to unpick something like the national performance framework. There are lots of actors—it is not just on the Scottish Government to deliver—so what is the

Government's contribution? I do not think that it is setting that out, and it cannot be accountable for it if it is not setting out what it is trying to achieve. It is about the theory of change. What are you trying to achieve, and how do you intend to do that and to resource that? That linkage is missing.

Sarah Davidson: I will pick up on Alison Hosie's final point about accountability. We should be clear that aligning budgets with national outcomes is not straightforward, and lots of countries that are trying to do that are wrestling with it. We believe that it is worth trying to do it, for the reasons that have been set out. However, one of the impediments to that in Scotland is the system of accountability. One of the most felt accountabilities for any public servant is their accountability for their expenditure of money, and accountabilities are quite narrowly aligned with organisational responsibilities. As members will know better than most, budgets are presented to Parliament in line with ministerial portfolio accountabilities, rather than cross-cutting outcomes. Although Audit Scotland and the Auditor General have gone further in recent years to provide a commentary on the extent to which that is supporting outcomes, there is still misalignment between what people feel held accountable for and the long-term vision.

The Convener: Alison, I note that you have said that what is important is that we have

"a more streamlined, simple and bold statement"

of the national performance framework, and that

"Resources and support for capacity building across public bodies will be essential to align operations with the National Outcomes."

What are we talking about, then, in terms of "resources and support"?

Dr Hosie: I am sorry—can you repeat that last bit?

The Convener: Yes, sorry. One of the key points that you have set out in your submission is that

"Resources and support for capacity building across public bodies will be essential to align operations with the National Outcomes."

What kind of "resources and support" do you think will be required to deliver that?

Dr Hosie: This is about capacity building. It brings us back to the points that were made earlier about the lack of prominence of the NPF across different parts of government—local government, public bodies and so on—with regard to its importance. We do not feel that it is being given due regard to in other areas at the moment.

I know from a recent session with the Government team on the history of the NPF,

where it came from and how it has developed that it had much more prominence at the start. Local authorities were thinking about and asked to report on how they were making those connections, why the NPF was important and the national outcomes that their various areas and portfolios of work would be working towards. However, that has disappeared.

This is all about understanding the NPF's importance and grounding the work that you do in what you are trying to deliver. That comes down to capacity building, which is where I think that there is resource—not just financial resource, but human resource and knowledge exchange. We need to build back the prominence of the NPF through the work that public bodies do.

The Convener: I see that you want to comment, Sarah, but I was just about to bring you in anyway, because you have said in your submission that

"existing duties are too weak to establish the National Outcomes as key drivers of decision making".

Sarah Davidson: I just wanted to pick up where Alison Hosie ended. One of the things that we know from Max French's work in Wales, and from what we have observed in Wales, too, is that specifying in legislation ways of working that will help to deliver these long-term outcomes has been really significant in bringing the capacity-building work in behind. In Wales, that happens to be located in the Office for the Future Generations Commissioner for Wales—it could be located in different places—but work done there helps public bodies understand what it means to work in those different ways. For example, people can be taught how to use foresight and horizon-scanning information in a way that helps them give good policy advice to ministers.

There has been some of that in Scotland; there was, for example, a Scottish Government team that supported collective leadership across the public services. However, it was always underresourced; it does not exist any more, and that capacity building has more or less disappeared.

That connects to the point that you just made, convener, about duties. One would hope that, if a public body felt that a duty mattered and that it had to do something about it, it would follow that duty by building up the competence in its own organisation to deliver and by holding people in the organisation to account for that delivery. Again, we can extrapolate from the fact that we are not seeing the national performance framework really driving alignment and activity in Scottish public bodies that the duty that exists at the moment to have regard to the national outcomes is not really worth the paper that it is written on.

It has been interesting to hear the Welsh story. Jane Davidson, the AM in Wales who was responsible for the introduction of the Well-being of Future Generations (Wales) Act 2015, was impelled to do so by her experience as a Welsh Government minister of very similar soft duties, if I can call them that. The legislation in Wales was designed to toughen up that duty and to make it meaningful for public bodies.

Dr French: I agree with all of that. It is worth reflecting on where Wales has got to without its legislative duties, though. Nothing in the Welsh legislation requires the Welsh Government to run its wellbeing framework through its programme for government, but it does, and it has chosen to do so. It has made an active choice in that respect. It reports annually based on its wellbeing objectives, which are aligned with its wellbeing goals, and again, it has chosen to do so. The reason for that is that that is riven through the culture in the Welsh Government in a way that it never has been in the Scottish experience.

You cannot separate that from the real hard powers that Wales has in comparison to what Scotland has, but it is worth reflecting on the fact that the Scottish Government has removed the NPF and the national outcomes from its most recent programme for government. There is no mention of them. There was last year, and there was the year before, and the year before that; this year, though, they have disappeared. What do we conclude from that as a public body? Surely the message is this: do not pay too much attention when we tell you to have regard to the national outcomes.

The Convener: So, the subliminal message is quite clear, in your view. Alison, did you want to comment on that?

Dr Hosie: No—I agree with that.

The Convener: Sorry, I just saw you nodding and I was not sure whether you wanted to come in.

Max, in your written submission, you mention a number of areas where things can be improved. You talk about convening power—I am a big fan of that—framing power, leadership, hard powers, introducing innovation funds, reconfiguring current reporting, Scottish Government procurement and pursuing a performance budgeting approach. We have the written submission, but can you say a wee bit more about that, just for the *Official Report*?

Dr French: To give you the context, I probably sat down for half an hour or 45 minutes dreaming up those mechanisms, but the lesson from that is that it is not too difficult. We could get in a room together and bash those out, and we would have a conceivable implementation plan that the Scottish

Government could take forward. We would find parallels for most of those mechanisms in how other countries, regions and cities have thought about and used their outcomes framework, whether it is a wellbeing framework or it is positioned otherwise.

There are mechanisms, and there are things that we could do at zero cost. There are things that we could do with a future generations commissioner, at £1.5 million or £2 million per year, and there are things in between. However, following its commitment to develop an implementation plan and provide leadership for the NPF, the messaging from the Scottish Government has sort of gone quiet. The wellbeing and sustainable development bill was one such mechanism, and we spent a lot of time thinking about how that could be used, but that is no longer in the programme for government.

There are mechanisms that we can think about and use, but the question is: what is on the table and how can we start moving forward?

The Convener: Lukas, Max has mentioned the C word—“commissioner”. You probably know that we have undertaken an extensive review on that issue and produced a 34-page report, which was published only yesterday, suggesting a moratorium on commissioners. Why is a future generations commissioner particularly important? Why does the work of a suggested commissioner have to be done via a commissioner?

Lukas Bunse: To be clear, I think that a commissioner is the best way to do that work. It might not be the only way, but we think that it is the best way, for various reasons. We have just had a long discussion about the need for capacity building. If we want the NPF to work to its full extent, somebody needs to do the training and develop the resources. It would be useful to have that in one central place.

There is also a point about accountability, and somebody having that overview perspective. Sophie Howe, who spoke at the cross-party group on wellbeing economy a couple of weeks ago, said that you need somebody with a helicopter view who can see what is happening and who can also be the grit in the system. The process is not necessarily easy, so you need somebody to help but also to check whether things are actually working, what is working, what is not working and whether people are doing the things that they are supposed to be doing. There is that accountability aspect.

Another aspect is that maybe the proposal for a future generations commissioner is different from some other proposals. It is very much about long-term thinking and future generations, and at the moment no organisation in Scotland is doing that

work. There was a discussion in the report that the committee published yesterday about whether it is the role of MSPs to do that championing and advocacy, but I do not think that future generations are represented by current MSPs very well because, obviously, they are not electing you. That is one of the big differences compared to some other proposals.

My last point is about the need for a long-term approach. That has been really important in Wales, where the Future Generations Commissioner is appointed for seven years. That means that local authorities and public bodies know where to go and who to talk to and can build a relationship that will help them implement the duties and ways of working. If the work is done anywhere else, you have the risk that arises from Governments and civil servants changing quite regularly. The personal relationships that the commissioner could build are probably not to be dismissed in that respect.

11:15

The Convener: An argument could be made for having a plethora of commissioners for a number of areas, in order to have a specific relationship or an overview of one specific area. However, it is surely the role of MSPs and parliamentary committees to scrutinise that, backed up by the huge number of civil servants that we have. It is more about emphasising the importance of the national performance framework within the Scottish Government to ensure that it gets the appropriate scrutiny and so on that it requires. Spending £1.5 million or £2 million on an extra commissioner with all the associated back office costs is £1.5 million or £2 million that you cannot spend on, for example, front-line public services.

Lukas Bunse: There is a danger here. As I and Max French have said, there are things that we can do for free, but the national performance framework is just sitting at the side not having been used very much to actually change the whole culture of how we work in Scotland to a point where it is aligned. You cannot do that without investment. One way or another, we will have to have investment into capacity building. As I said, the best way to do it is through a commissioner, and the idea that by not having a commissioner you get it for free is very dangerous. At the moment, we do not have a body in Scotland that can do the capacity building. We can have a discussion about where else we can put that work, but it is dangerous to think that you can get it for free. It is an investment that is very much worth it, because it will save money in other places and in the long term.

The Convener: In case you wonder why, apart from Liz Smith, I have asked all the questions so

far, it is because members are not exactly tripping over themselves to indicate that they want to come in. Liz will come in in just a minute after one more question from me.

Sarah Davidson, you have expressed concern that the plethora of outcomes means that it is quite hard for the Government to align with them all. Should there be fewer outcomes and greater focus on those? If so, what should the priority outcomes be?

Sarah Davidson: Max French and I talked about this earlier, and he reminded me that there is evidence that shows that most human beings are not capable of holding more than about seven things in their mind.

The Convener: As many as that?

Sarah Davidson: I worked in the Government with the national outcomes for a long time, but, to be honest, I could not remember what they all were. If we are asking all public bodies to understand the implications of the outcomes for their work, I note that it is challenging for them to hold all 11 outcomes in mind—it is 11 at the moment and, I think, will be up to 14 under the revised recommendations. It is interesting that Wales has seven wellbeing goals, which are the equivalent of our wellbeing outcomes.

There is a risk—which I think has happened almost by accident, but it has happened—that there are now so many outcomes that you can almost map them on to Scottish Government directorates; you can have one or two directorates for each outcome. That works against the ambition of these being outcomes that cohere people around them, because they almost end up creating new silos.

The reality is that, inevitably, if you ask lots of people whether they would like their particular issue to be reflected in an outcome, they say yes, and more outcomes are created. There is now a risk that there are so many that the challenge of using them to set a cohering long-term outcome is, in fact, greater rather than lesser.

Dr Hosie: That is part of the reason why we needed the participative process that we did not get. Asking lots of people questions in an online consultation meant that we got an expanded number of outcomes without any discussion about what that might actually mean, how we could do it better or how they do it in Wales. There was no discussion; outcomes were just added on. They are all important, but how you translate the specifics into, perhaps, higher-level global outcomes requires discussion and participation.

The Convener: We will now open up the session. The first colleague to ask questions will be Jamie Halcro Johnston, followed by Liz Smith.

Jamie Halcro Johnston: Thank you. Sorry, convener, I was just enjoying your questioning too much.

I suppose that my point is similar to the point that Liz Smith has already made. Over the next few years, we will see a tightening of budgets, perhaps a lack of sustainability in the public sector and some tough decisions made. Given the concerns over what has been delivered or which outcomes have been followed so far, the Government now has much harder decisions to make. What confidence do you have that it will be easier and more likely for it to follow the desired outcomes here? Will it just be a box-ticking exercise?

Sarah Davidson: You rightly identify the risk, which is that short-term challenges and short-term budget pressures overtake a focus on long-term outcomes. I would argue that that makes using a framework all the more important at a time like this, particularly—to pick up Alison Hosie's earlier points—when it comes to investment in prevention and disinvestment from things in order to shift the dial on inequalities and poverty. The existence of a framework that can help people to act in the short term but in the context of long-term outcomes is arguably more important in times of pressures such as those that are being faced currently.

Lukas Bunse mentioned understanding unintended consequences and trade-offs and being transparent about them. Again, it feels all the more important to have a framework when resources are tighter than they have been in more recent years and difficult choices have to be made and explained.

Jamie Halcro Johnston: That is the point. You have all made a very good case for why you believe that the NPF is important. What evidence is there that the Scottish Government feels the same way?

Sarah Davidson: With the few exceptions that we have already talked about, there is not a lot to argue with in the Government's response to the consultation. The question that I and my colleagues are raising is about the extent to which that reflects the priorities that exist across Government and whether the NPF will be used in that way. If past action is an indication of future intent, we are saying that we lack confidence that it will be used.

Jamie Halcro Johnston: In five years' time, we will be back here and you will be saying—justifiably—the same things, which is that it is important that the Government, whatever colour of Government it happens to be, needs to look longer term but it is not doing so, and that there needs to be a refocus on that.

Sarah Davidson: The committee made some trenchant criticisms and, in my view, good recommendations when it conducted its inquiry into the NPF in 2022, and we are here in 2024 saying very similar things.

Dr French: We are discussing a particular framework, with a set of outcomes and indicators, but the issue also relates to the broader question of Government decision making, and, in the context of fiscal restraint, which Sarah Davidson has just spoken about, it is more important than ever to have a balanced and long-term view of strategy.

This committee also ran an inquiry into public administration and effective Government decision making. Professor Paul Kearney, in his role as adviser to the committee, wrote a report to inform the inquiry. He concluded that, when he read Scottish Government documents or accounts, he was struck by their emphasis on the Government's aspirations, structures and strategies and the fact that they did not really emphasise the more fine-grained decisions or their impacts. The Government provides a general story about how something is supposed to work.

I suggest that that means of decision making does not equip us particularly well to confront the new fiscal reality. Through the decision-making process, we have seen—again, we can look at Wales—that we can provide that level of detail, consistency and policy coherence by taking seriously our wellbeing framework, our performance framework or whatever you would like to call it.

In addition, when we look at the status of public service reform, including in relation to prevention, which is a key part of the programme for government, we can see half-formed ideas littered through the past 10 or 15 years. We had the Christie principles, which everyone loved—they were a very galvanising force in Scottish public life. However, the Auditor General for Scotland, among many others, can find scant evidence of those principles being active parts of how we do public service reform. We had the "Scottish Approach to Service Design", which was about seven or eight years after that. That seemed cobbled together, and now it is not really discussed in any cohesive manner.

There is an opportunity to link all of that together and to galvanise a consistent approach to public service reform, with the NPF as the headlining act, but we are not seeing any such opportunity. Where can we find ways of working? Well, there are the Christie principles, but they are very separate to the NPF. There is much more that we could do to be strategic, and the NPF is a device that helps us in that respect.

Dr Hosie: One thing that I have always said about the NPF is that it has amazing transformational potential, but we are not using it. There are many things, both simple and more complex, that we could do to enhance that. I will not shy away from saying that the commission has always highlighted connections with regard to the framework's human rights basis. They are there, and they could be really solid, but they are not being tapped into.

Another disappearing commitment is the proposed human rights bill, about which, along with the national outcomes, there was no mention in this year's programme for government. That bill has the potential to link the NPF with legal obligations, but we are shying away from that, and again, it all comes back to the link with accountability. When we put more of a structure on how we deliver on the NPF, we put a spotlight on accountability, and I get the feeling that that is where the commitment is missing. The report contains many excellent ideas on how we can improve accountability, and the implementation of accountability should, I think, be the focus for the next stage.

Jamie Halcro Johnston: Do you have anything to add, Lukas?

Lukas Bunse: I will be very brief.

I agree with what has been said. As I have said, it is very frustrating; the pieces of the puzzle are there—as Max French has said, we have the Christie principles, the NPF and the Community Empowerment (Scotland) Act 2015—but we are just not putting them together. That was the idea behind the proposed wellbeing and sustainable development bill, but the Government has not included that in its programme for government.

However, Sarah Boyack's member's bill is still there. So, I suppose that, in response to your question about the Government's commitment at the moment, I would say that it does not look particularly strong, but there is an opportunity for Parliament to say, "Actually, this is important to us. You better get your act together." I think that Sarah Boyack's member's bill could do that.

Jamie Halcro Johnston: I am not sensing a huge amount of confidence that the Scottish Government is committed to the NPF in delivering on the outcomes. Obviously, it is updating the framework, but I wonder whether there is much point in updating something that it is not going to follow anyway, on principle. With that, I will hand back to the convener.

The Convener: Thank you for that.

Liz Smith: I want to pursue the question of why, when the NPF was first introduced, there seemed to be considerable commitment to it. It was

mentioned in different documents. Indeed, at our away day two years ago, I think, we spoke to Dundee councillors and people working in various local authorities who were very keen on the framework and were making quite a strong link between what they were delivering in local authorities and the framework itself. Why has it slid away from people's interest? What has happened to take it from being very prominent to not being mentioned at all?

Sarah Davidson: There are probably a number of answers to that question, but I will speak to just one, and others might have other things to say.

I would say that, not just in more recent years, but even from the introduction of the national performance framework right back in 2007—I recognise that it has gone through a number of iterations since then—its implementation has relied very heavily on what Max French termed soft power or soft levers. A lot of the work that was done was on building relationships—which is really important—on training and on building people's understanding of what it takes to deliver long-term outcomes. In the early years, it was talked about a lot; people were brought together in, for example, the Scottish Leaders Forum, and it felt very present.

Over time, though, there has been quite a lot of change of personnel. That is part of the issue: different people choose to emphasise or talk about different things. There is no doubt that, in the most recent period of years within Government, there has been a very strong emphasis on the delivery of individual services and commitments. To be clear, the delivery of commitments and the improvement of services matter, but there is sometimes a tendency to talk and act as though the delivery of individual things, whether successful or not, is separate from an ambition to achieve a long-term outcome. It is almost a case of being either in the outcomes camp or in the delivery camp. That has been very unhelpful to the prominence and presence of the national performance framework.

Liz Smith: Do you think that that is true in local government as well as in national Government?

11:30

Sarah Davidson: Local government takes its cue from national Government in some respects. In recent years, the squeeze on local authority budgets has required many local authorities to focus on their statutory obligations, for reasons that one can understand. I have heard local authorities say that that means that the space, energy and resources for a conversation about long-term sustainability—particularly about investing in preventative measures as opposed to

dealing with wounds that are bleeding right now—have been constrained. I also hear local authorities and people who work for the Convention of Scottish Local Authorities say that there is less dialogue with the Government about the roles that different actors in the system have to play. That issue has certainly become more pronounced in recent years.

Liz Smith: I presume that that relationship has to be mended if we are to move forward.

Sarah Davidson: Yes. The clerk's note, I think, mentions the Scottish Leaders Forum's response to the consultation, and it is worth reminding us what the Scottish Leaders Forum is. It comprises senior executive leaders across health, local government, the Scottish Government and Scottish public bodies. It notes that the current system of accountability does nothing to promote national outcomes and that procedural, political, budget and audit processes make little use of them. If that is what the executive leadership group is saying, that is interesting and tells us quite a lot.

Liz Smith: Thank you.

Michael Marra: I see the purpose of this whole process as breaking the short-term view in politics and trying to put things in longer cycles. There has been quite a lot of talk about technocratic bureaucracy, setting targets and trying to bring the state behind a certain set of goals, which I understand, but, inherently, these are political questions. The reason why the system is not working—in the previous session, we took evidence from Oxfam, which said that it is not working at all—is that there is no political commitment to making it work. Is that not right?

Dr French: Northern Ireland and Wales—the other devolved nations—have taken a risk. Before its Government collapsed, Northern Ireland took a risk when it tried to make its senior civil servants directly accountable for outcomes. They were told, “Here's the outcome—expect to be held to account through ministerial oversight or parliamentary scrutiny.” We did not go down that route, for some valid reasons. I do not believe that that is the right way for a Government to embed outcomes, but the Northern Ireland Government took a risk in doing that and subjecting itself to scrutiny.

Wales took a risk when it established the role of the Future Generations Commissioner for Wales, because that leadership and championing role is outwith the Welsh Government. The Government did not optionally embody its performance framework. If the commissioner deems the Government's transport strategy to be inconsistent with its stated wellbeing goals, they will knock on

the Government's door and say that they have review powers. That provides some leverage.

Scotland has not followed suit, in that the NPF, which includes our national goals and objectives, has been stewarded by the Government. The committee and all of us who are contributing evidence have spent a great deal of time scrutinising the state of affairs. Is it now time to consider whether the Scottish Government should be the effective custodian of the NPF? Is it possible to implement a wellbeing framework and a set of national outcomes solely from within the Government?

Dr Hosie: That ties in nicely to the issue of where the NPF started and where it perhaps went wrong or lost its way. It started off as a performance framework for the Government. In its next iteration, there was, rightly, a big emphasis on the NPF being Scotland's goals, not just the Government's goals, but there seemed to be a dilution in the link to whose responsibility it was to deliver. It is really helpful to understand the contributory theory of change in that regard. The Government, local authorities, public bodies, businesses and civil society all have a role—everybody has a role—in delivery, but we need to know what the Government's role is. It needs to set out its stall by saying what it is delivering towards achieving the outcomes, so that it can be held accountable for that. That is where there is a gap.

Michael Marra: That is useful. There is also a question about the political coherence of the goals. As much as we have had one governing party in Scotland for 17 years, I do not think that anybody would dispute that we have had a variety of different approaches and, frankly, core beliefs in that time. Some people in the Government do not believe that economic growth is a positive thing at all, while others think that it is the only thing that matters. We have people from the original Administration that was elected in 2007 and which set this out who are now First Minister, while others are saying in the press that Scotland is effectively a third-world nation. How can we put together a long-term process under one Government if it departs so radically in its understanding of the organising principles of its purpose?

Sarah Davidson: Part of the answer to that is, as Alison Hosie has suggested, a really good, engaged process that arrives at the set of national outcomes, so that they do not feel like the Government's outcomes. Indeed, they are not; this is in legislation. These are Scotland's outcomes and they have certainly been agreed by the whole Parliament. It is also about the ownership of the outcomes, so that the Government is not setting

the homework and marking it. That is part of the problem.

To go back to your original question, public administration does not necessarily set everyone's boat on fire. It is encouraging that this committee has responsibility for public administration, because it is an incredibly important part of the overall picture of how outcomes are or are not achieved in Scotland. It is therefore incumbent on public bodies, including the Government, at an administrative level, to build the capacity to do things well and do them well.

Absent political leadership, it is hard to go on doing that. There is an interesting alchemy between what the Administration has to deliver—doing its job well—and the political leadership that is set to incentivise that delivery. When the two are in alignment, as we have perhaps seen in Wales in recent years, that is where most progress can be made.

Michael Marra: We have had a comparatively stable Government in Wales for that long period of time—one party in government—but with ideological coherence across that period, which has not been the case here.

My final question is about whether, if everything is a priority, nothing is a priority and about some of the commentary about how bland the outcomes are. Is it not better to have these technocratic goals set in the non-contestable space? There are things that we know. Climate change is happening, adaptation has to occur and we have to transition. There are no voices in Parliament that disagree with those things. I understand that there are voices on the fringes of politics that disagree, but in the core those things are non-contestable.

Some of the issues that are within those things, particularly the role of economic growth and whether we should have a wellbeing approach versus something that is driven around GDP, is clearly contested around the Cabinet table, let alone within Parliament. How can we have a long-term goal that is based on an ideological framework that the Deputy First Minister, members of the Cabinet and the First Minister do not agree on?

The Convener: I do not think that ours is the only party that has had ideological conflicts, given that we have gone from Corbynism to Starmerism in the space of the past three or four years.

Michael Marra: To be fair, convener, we were not in power at that time. It is a recognisable point, but we are talking about the operation of the framework in Scotland under the Government.

Lukas Bunse: You raise a good point. It goes back to Sarah Davidson's and Max French's

points about how far it goes. There is a problem with the framework if the consultation process is so weak that it is essentially the Government setting the goals, which is in some ways where we got to with this consultation.

The point about the economy is very interesting, but the question about growth or not is not for today. That is about means to an end, not about the ends.

We were very happy to see the wellbeing economy terminology in the goal but, in some ways—and it might be surprising to hear this from me—I was worried about it, because it was just something that was popular with that Government at that time and did not come from the bottom up as something that society wanted. We can see what happens with that now: it is in there, but it does not have the legitimacy that it should have. That questions the legitimacy of the whole framework. The whole point is to find the common ground of what we agree on when it comes to long-term goals. Without that, we as a society will not be able to move forward.

Michael Marra: Thank you, Lukas.

Michelle Thomson: Good morning. What a great discussion so far. I am enjoying your contributions. I will pick up on a few points. Michael Marra came up with the interesting phrase “ideological adherence”—which, I am sure, we could debate—but that begs the question of accountability versus responsibility in a devolved setting. I fully accept what you said about Wales, but we all recognise that we are fairly early in our journey and that that is also the case with Northern Ireland. In this strange set-up, what challenges do you see from the difference between accountability and responsibility?

Max French, you are nodding, so you have to go first.

Dr French: It is a great question. I hesitate to deviate from the accountability point, because we have been trucking with responsibility for a long while in Scotland and that has allowed us to dodge the question of who should be accountable for what and by when. I am under no delusion that holding people directly responsible for an outcome or indicator is the wrong approach, but there are real ways in which you can structure accountability relationships that make people feel accountable for the national goals and indicators but do not embody the simplistic logic of direct accountability for movement in those indicators. It is much more about the contribution that people are encouraged to make, and then holding to account a public body, for instance, for that stated contribution, while taking the whole context into account.

That is laborious work, but it involves real accountability, not feeding-the-beast performance

reporting. It is about enabling people, then holding them to account for stretching contributions to our spectrum of national outcomes. That is the way in which we should engage with accountability, so that we can all feel responsible and be accountable.

Michelle Thomson: You touch on a culture of delivery. I am also interested in commentary on that from anybody else.

Dr Hosie: It is also an important route to mending and developing relationships between national and local government. Among the local authorities that we have spoken to, certainly, there is a tendency to feel that the national priorities are put down to them local authorities to deliver with no resources, instead of involving a look at what the local priorities might be. That discussion—not just setting national-level indicators but looking at what the national outcomes mean at local level when it comes to developing relevant indicators for measuring progress—has not happened this time. What is relevant to delivering on one outcome might be different from one local area to another. It is about allowing local authorities that ability to look at where and how they can be held accountable, which may be different from what is at national level.

A big dialogue is to be had. For me, that goes back to the lack of dialogue in developing the outcomes. The outcomes and indicators are two separate processes, but they should really be part of the same discussion, because how you measure what is important is to measure what you treasure. Unless that is part of the discussion on setting out the outcomes, we lose the ability to develop accountability from the ground up.

Michelle Thomson: To add to that, we have not yet touched on the even bigger picture of aligning to the SDGs. Sarah Davidson, you want to come in. I know that you will want to answer my first question, but perhaps you will reflect on that as well.

11:45

Sarah Davidson: In a way, we could pull both issues together. An interesting thing about the SDGs in a Scottish context is that it is suggested in the Government's report that alignment with the SDGs is, in itself, a good thing, but, of course, such alignment is a good thing only if it is meaningful. In the same way—to go back to what Alice Telfer said about other public bodies—if bodies such as local authorities simply have to demonstrate that they are aligning their policies with the NPF, that is another version of a tick-box exercise.

The question of what a much more sophisticated accountability environment looks like

is really interesting. The issues that everybody is dealing with are complex and sophisticated, so I do not think that we should shy away from having a much more sophisticated and complex way of thinking about what accountability needs to look like. For example, I think that it would be interesting to talk to leaders about what it would feel like to be held accountable for creating the conditions for people in their organisations to collaborate better, or to understand what the long-term trends are and how they can apply those in their organisations. Those are not things on which you can just tick yes or no. They are things on which interesting conversations that build relationships start.

As I said, the Auditor General has started to move into that territory, but he does not have formal powers for auditing that, so the question of what people feel responsible for making happen and how that aligns with where their hard accountability sits feels to be absolutely germane to this conversation.

Michelle Thomson: That sounds like much more of a pivot to a focus on outcomes, rather than the simple adopting of the measures that we have been talking about.

Sarah Davidson: Yes.

Michelle Thomson: Lukas, do you have anything final to add?

Lukas Bunse: I echo what Sarah Davidson said. That is where the ways of working come in, which are really important in Wales. We talk a lot about their goals, but I would say that their ways of working are probably just as important. I think that they have four. Is that right? [*Interruption.*] Sorry, they have five. The ways of working are in the Welsh legislation as well, so they are accountable not only for the outcomes but for how they go about achieving them. There is a recognition that this is a complex area, so sometimes the best that you can do is look at how you do things, rather than at what the impact will be in 20 or 30 years' time. There is an assumption that, if you go about it in the way that we are discussing, that is more likely to create better outcomes further down the line.

Michelle Thomson: I have a final, quick-fire question to make sure that we have bottomed out a thread that a few people have asked about. It is fine to give a one-word answer. Do you genuinely see the Government having a demonstrable appetite for this work?

Dr French: It is patchy and mixed, is it not? Everyone shares the aspiration, although we probably differ on our anticipation of how the NPF will be used. There are different levels of appetite on that point, certainly politically.

An interesting way of looking at that question is to look beyond Government at the level of appetite for the NPF that has emerged entirely organically and without any significant urging by the Scottish Government. A great deal of attention has been paid to the NPF by the third sector. Obviously, the third sector is only one area of society—very little attention has been paid to the NPF by the business community—but that speaks to the fact that there is a general level of support for the NPF that could be built on, enhanced and harnessed a lot more than it has been, which we can compare with the level of obscurity that has been evident in how the Scottish Government has used the NPF. Therefore, I would be tempted to ignore the last point.

The Convener: I think that “level of obscurity” says a lot.

Dr Hosie: The past few meetings that we have had with the Government’s expert advisory group on the NPF have been encouraging. We were very sceptical when we began our work in this area, but the NPF team has been doing an awful lot of very good work.

However, that team has changed about eight times since I started working on the NPF. It was in about 2011-12 that I first started to engage with it. What happens is that you feel that you are really getting somewhere and that there is a good understanding of what the NPF is driving for, but then the team changes and the whole process starts again. There is no consistency, and a lack of consistency in who is driving the process from below makes it really difficult to get buy-in elsewhere in Government. I have concerns about the current leadership. The agenda of wellbeing is so important, and the connection with rights is so important, and I get the feeling that there is not a willingness to put that at the forefront of how we develop policy.

I will come back to a point that Lukas Bunse made about looking at what drives the change and the outcomes. We have done a lot of work on rights-based outcomes and indicators, which I think that I have brought up in every submission that I have made on the NPF. Instead of looking only at the results and what we are trying to achieve, rights-based outcomes and indicators help us to look at the structures that we have in place and to ask whether we have the right laws and policies in place, whether we are delivering on those policies and whether we are implementing and funding them properly in order to see what the outcomes are. That helps us to make the connections when the outcomes are not what we expect. For example, are the outcomes not what we expected because we have the wrong policies or because they are not funded properly? Having such outcomes and indicators allows us to make

those connections and to look backwards and forwards, rather than just at the results at the other end.

That is a gap. I know that everyone pushes back against having even more indicators than the ones that we already have, but it is a question of having different types of indicators—a matrix of indicators. Rather than saying, “We’ll have four indicators for this outcome and four for that outcome,” and those indicators not talking to one another, we need to have—this was mentioned earlier—intersectionality with regard to what the outcomes are trying to achieve, so that they are not siloed.

The Convener: I am impressed with these one-word answers. [*Laughter.*]

Michelle Thomson: Given the additional complexity that Alison Hosie introduced, my question about whether you generally see an appetite for this work is even more moot.

Sarah Davidson: Government is, in many ways, a multiheaded beast, and I absolutely endorse Alison Hosie’s comment about the small team that looks after the NPF, with regard to the chopping and changing and the degree of commitment that it has.

It is interesting that, in some of the parts of Government that are further from the centre, the NPF is given greater regard. Michael Kellet from Public Health Scotland was at the committee earlier. Public Health Scotland is an example of a body that absolutely sees how the NPF could and should drive its work and the work of Government more generally. When I talk to Public Health Scotland, I see that it starts with the outcomes of the national performance framework. That is partly because it is so impelled by the relationship between all the different parts of Government and good health outcomes. The rest of the Government could learn a lot from what is happening there.

Ross Greer: Alison Hosie, on the comment that you made about the lack of appetite, or the idea that the Government is rolling back a bit on the principles around the wellbeing economy, was that a reflection on the Government right now—as in the Administration over the past six months—or is that a wider reflection?

Dr Hosie: That has been the case with the past couple of Governments, to be fair. For a number of years, we had a very strong commitment to developing human rights legislation, and to the importance of human rights, the SDGs and wellbeing. That was all very current in the work that we were doing, and, in lots of the work that I was doing, I was constantly referring to where the national outcomes and the SDGs were reflected in the things that we were doing. Over the past three or four years, that has disappeared. You are going

to have changes in priorities and ideology—such changes come with a change in personnel—but that just leaves concern, because there are strong commitments, including manifesto commitments, that we are now seeing disappear.

Ross Greer: I want to pick up the point about the danger of a tick-box exercise. I think that Sarah Davidson mentioned it most recently, but everybody has mentioned it at some point. I wonder whether a tick-box exercise would at least be better than where we are now. At the start of the evidence session, Max French listed various Government strategies and policy documents that have been published recently without so much as even a tick-box reference to the NPF. As much as I accept that the ideal situation would be something more like what happens in Wales, where such an approach is deeply culturally embedded in Government, if we at least took some mechanistic approaches, it would move us a little further on.

The Scottish Government has handbooks and protocols when it comes to the drafting of bills. I find it hard to see how it would not be possible to say that, if, for example, a strategy document is significant enough that it needs ministerial sign-off, the protocol for that would include a requirement that the relevant NPF outcomes are referenced. Yes, that would be a mechanistic exercise, but, given where we are now and the fact that we are not even doing that, would a mechanistic approach not at least represent progress?

Dr French: There is something to be said for visibility here. If you were to scrutinise the Government on that—it is a good job that no one does so—it would not come out of it looking like a particularly joined-up, cohesive policy maker.

There is something to be said for branding in that context, and for saying, “This is the way that we do business in Scotland.” There is an Organisation for Economic Co-operation and Development conference coming up next month, which will be on the subject of wellbeing in government. Five years ago, Scotland would probably have been seen as one of the forerunners on that, and we could have expected to see much of our work being celebrated. Now, it feels as though Scotland is a bit player in that broad international movement. Two thirds of OECD countries now have wellbeing frameworks. If they were to be ranked on integration, regardless of what standard was used, Scotland would probably not do particularly well.

If our stated way of doing government is not visible, that reflects badly on our broader decision making and strategic competency. The lack of an integrated approach means that we are losing influence. At the conference, Scotland should be

front and centre on all the international delegates’ lists of things to learn about, but it is not.

For those reasons, I absolutely agree that a tick-box exercise is better than the patchy, piecemeal and ad hoc situation that we have now.

Sarah Davidson: I agree with all of that. Of course, as always with such matters, it is what you are ticking that is relevant.

As Max French’s report illustrated, we have found that it is relatively easy to name-check the national outcomes, although even that is not always done as well as it might be. To have to tick a box and demonstrate that your policy or legislative proposal was developed through the lens of the national outcomes, and to argue the case for that, is a different thing. If there were to be boxes to be ticked, I would far rather see people being asked to tick that more sophisticated box than just the yes or the no boxes.

Dr Hosie: That is exactly the point. Over the past few years, budgetary documents have tried to improve the connections with the national outcomes. The simpler approach that is there now simply asks us to name the national outcomes or human rights that might be relevant to particular budget areas. However, there is no confidence that people really understand why they put an outcome in a particular box when it is quite clear that some obvious ones are missing. Capacity building and understanding have to accompany the process if it is to be worth doing.

Lukas Bunse: I will build on that briefly. There is also a question about one of the reasons for people getting a bit resentful about tick-box exercises, which is that there are quite a lot of them already. I am not an expert on exactly who has to tick which boxes, but I imagine that the point of the NPF is to streamline that a bit. It would be helpful if you could use that approach to embed wellbeing more widely and to streamline and align the work that is already going on. I do not know whether anybody has looked into that in more detail.

Ross Greer: Thank you very much.

The Convener: That has exhausted the questions from committee members. I will put a further one to Lukas Bunse, but others can contribute if they wish.

You have said that one issue with the national outcomes is that the framework has the potential to reduce inequality, but that splitting inequality across different outcomes means that

“there is a risk that inequality is not given the prominence it deserves”.

12:00

Lukas Bunse: Inequality is now mentioned in the title of one of the revised outcomes, which is good. Inequality is embedded in or related to each outcome, but in order for that approach to work, you really have to ensure that it is then embedded in all the other outcomes.

The Scottish Human Rights Commission has made some really good points in that respect. For example, in relation to the indicators, you might be interested in, say, gender inequalities; however, that is one of the big ones that has its own outcome in the SDGs but not in the national performance framework. As a result, you will need to be able to be clear about how it feeds into all the other outcomes, and you also need to have the indicators segregated by gender and in different ways so that you can check those outcomes.

Mainly, I am saying that there is a risk that if you just put inequality into all the outcomes, it will simply disappear. However, it does need to be there. That was the point that I wanted to make.

Dr Hosie: I agree with Lukas. With regard to human rights and equality as outcomes, I should say that, before the most recent outcome set was released, there were debates at the very last minute over whether human rights should be mainstreamed, just as equality had been in the purpose or value statement, and not be an outcome in and of itself. We argued really strongly—and still do—that yes, in an ideal world, human rights and equality would permeate the entire outcome set without the need for individual outcomes; however, we cannot mainstream what we do not understand. We have had 25 years of equality, and we still do not properly get it. I therefore think that we need the vertical and horizontal columns throughout the national outcomes.

The entire human rights framework underpins the national outcomes, but that is not apparent at all in the narrative that sits alongside the performance framework at the moment. We have been talking about capacity building in government; a lot of capacity building is going to be needed in relation to the development of the human rights bill. This is a perfect opportunity to bring those things—that understanding—together to see the connections that will link the outcomes and the rights and to see that inequality, too, has a role right the way through everything. Every single outcome will be able to be measured, depending on the data and the availability of disaggregated data, to allow us to really look in depth at whether we are delivering on that. Equality and human rights should feature throughout the outcomes set, but there should also be a really strong focus on delivering on that outcome in itself.

The Convener: Thank you very much. Before we wind up, does any member of the panel wish to make any final points?

Sarah Davidson: I reiterate that, since the Government published its report on the NPF consultation, the decision has been made not to include the wellbeing and sustainable development bill in the programme for government, and we should therefore assume that the Government is not going to introduce that bill in the course of this parliamentary session. That means that all the issues that were raised in the NPF consultation with regard to accountability, duties and ways of working are not going to be resolved through that mechanism.

Lukas Bunse has mentioned Sarah Boyack's member's bill on the issue, which is in development. We as an organisation—and, I am sure, my colleagues here, too—go on being interested in the range of ways in which those accountabilities and duties can be brought to bear, because our collective view is that, without something like that bill, it is going to be very hard to make the national performance framework, whatever we call it, meaningful.

Dr French: I agree. I would also revisit some of the other recommendations that the committee made to the Scottish Government and to which it responded favourably, including the publication of an implementation plan, the leadership of which has chopped and changed within the Government. That document seems to be of primary importance now, with the recall of various legislative options, and getting clarity on what the Scottish Government intends to do with that plan—and how it intends to govern it as a continuous improvement process that provides a way of feeding into what the Government does on implementation—would seem to me to be particularly critical in the current situation.

The Convener: Alison?

Dr Hosie: I will simply say, "What they both said." Moreover, with the programme for government not mentioning the proposed human rights bill, we feel that another layer of accountability has potentially been missed. The implementation plan is therefore going to be critical to whether the NPF delivers what we hope it will.

I also do not want the NPF to lose its focus on the SDGs and that whole agenda. We are just over five years away from 2030, and we are nowhere near delivering on the sustainable development goals. Another set of outcomes is going to follow from the SDGs; Scotland really took the bull by the horns when the goals came out and made very strong commitments on what we as a country should be doing to deliver on

them, and I would like to see Scotland back in that room, discussing what we are going to do when the next set comes. They should be tied into our national outcomes, too. I do not want to lose that in this discussion, as the SDGs have not had much of a mention today.

The Convener: That is why I always give people a chance to wind up—so that they can fill in any gaps in our questioning. Do you wish to comment, Lukas?

Lukas Bunse: I want to end by emphasising again what Max French has said. It feels very frustrating that, with wellbeing frameworks and future generations thinking, we have an agenda that the world is really moving on with and developing. We have the United Nations summit of the future coming up in a few days' time; this is something that Scotland used to be a leader on, and at a time when everybody else is starting to develop it, we are turning away from it. Again, that is very frustrating.

I want to be explicit about the fact that, for us, the link between the wellbeing framework and the future generations thinking is absolutely crucial. After all, there is no point in thinking about wellbeing outcomes if we are not thinking about how we ensure that we meet them in 50 or 100 years' time. That is why those two things are very much linked in our heads, and, indeed, why I found it a bit funny that one of the tables in the report that you published yesterday from the Scottish Parliament information centre listed a future generations commissioner and a wellbeing and sustainable development commissioner separately. I think that anybody who has ever thought about the issue seriously has never thought of them as two separate things—they have always been the same kind of commissioner. I just wanted to mention that.

The Convener: Thank you very much. We will put a number of the issues that you have raised today directly to the Scottish Government in the weeks ahead. I thank you all for your contributions today and your excellent submissions.

We will now move into private session to discuss a contingent liability and our work programme. I call a two-minute break to allow our witnesses, the official report and broadcasting to leave.

12:06

Meeting continued in private until 12:25.

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

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