Finance Committee

Remit and membership

Remit:

1. The remit of the Finance Committee is to consider and report on-

   (a) any report or other document laid before the Parliament by members of the Scottish Executive containing proposals for, or budgets of, public expenditure or proposals for the making of a tax-varying resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;

   (b) any report made by a committee setting out proposals concerning public expenditure;

   (c) Budget Bills; and

   (d) any other matter relating to or affecting the expenditure of the Scottish Administration or other expenditure payable out of the Scottish Consolidated Fund.

2. The Committee may also consider and, where it sees fit, report to the Parliament on the timetable for the Stages of Budget Bills and on the handling of financial business.

3. In these Rules, "public expenditure" means expenditure of the Scottish Administration, other expenditure payable out of the Scottish Consolidated Fund and any other expenditure met out of taxes, charges and other public revenue.

(Spending Orders of the Scottish Parliament, Rule 6.6)

Membership:

Gavin Brown (member from 16 November 2011)
Alex Johnstone (member until 16 November 2011)
Kenneth Gibson (Convener)
Derek Mackay (member until 14 December 2011)
John Mason (Deputy Convener)
Margaret McCulloch (member until 21 December 2011)
Mark McDonald (member from 15 December 2011)
Michael McMahon (member from 22 December 2011)
Elaine Murray (member from 22 December 2011)
John Pentland (member until 21 December 2011)
Paul Wheelhouse

Committee Clerking Team:

Clerk to the Committee
Jim Johnston

Senior Assistant Clerk
Fergus Cochrane

Assistant Clerk
Lucy Scharbert
The Committee reports to the Parliament as follows—

Introduction

1. This report covers the work of the Finance Committee during the parliamentary year 11 May 2011 to 10 May 2012. The Committee had a busy work programme in its first year of this fourth parliamentary session. Its main focus was the annual budget scrutiny process. An overview of the Committee’s work is set out below.

Meetings

2. During the year, the Committee met 28 times. Of these, 10 were held entirely in public, 17 were held partly in private and 1 was held totally in private. The purpose of the majority of private items was to consider draft Committee reports or work programme issues.

3. All Committee meetings were held at the Scottish Parliament except the external meeting in Largs (see below).

Work programme

Budget scrutiny

4. The principal role of the Finance Committee is to lead the Parliament’s response to the Scottish Government’s spending proposals through the annual budget process.

5. The Scottish Government published its Scottish spending review 2011 and draft budget 2012-13 on 21 September 2011. However, the Committee's scrutiny began in June when it agreed that the shift towards preventative spending would be a central theme of its budget scrutiny.

6. In its Report on preventative spending the previous Committee emphasised that the current reactive approach to public spending is unsustainable and that there must be a shift away from reacting to crises to a greater focus on prevention
and early intervention. In its legacy paper the previous Committee recommended that: “the scrutiny of preventative spending should be integral to the annual budget process.”

7. This emphasis on preventative spending was highlighted by the Committee in its budget scrutiny guidance to subject committees.

8. The Committee issued a call for evidence before summer recess inviting the views of interested and affected parties, including all community planning partnerships, on what proposals they would like to see in both the spending review and draft budget that would take the preventative spending agenda forward.

9. The Committee subsequently published a summary of written evidence which identified a number of key themes and issues which it then focussed on during oral evidence sessions. The Committee initially held two round table discussions with key bodies (26 October 2011 and 2 November 2011).

10. As part of its budget scrutiny, previous Finance Committees held an external meeting to gauge local views on the budget and take evidence from the Cabinet Secretary. This Committee met with local business groups in Largs before taking oral evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth (7 November 2011).

11. The Committee adopted the familiar approach of inviting subject committees to submit their reports to the Finance Committee in time to be included in the Committee’s report.

12. The Committee’s report was published on 9 December 2011. The debate in the Chamber on the report took place on 22 December 2011 while the Scottish Government published its response to the report ahead of the Budget Bill Stage 1 debate. The Committee then took follow up oral evidence from the Cabinet Secretary to discuss the Scottish Government’s response.

**Early intervention**

13. The Committee took oral evidence from a number of key witnesses in furtherance of its work on preventative spending—

- Graham Allen MP
- Dartington Social Research Unit and Renfrewshire Children’s Services Partnership
- Birmingham Social Services
- Netherlands Youth Institute
- Scottish Council for Voluntary Organisations and others
- Growing Up in Scotland study
- Family Nurse Partnership

**Scottish Futures Trust**

14. The Committee took oral evidence from the SFT on the draft budget, infrastructure investment, and how this is supporting sustainable economic growth.
Commission on the Future Delivery of Public Services
15. The Committee took oral evidence from Commission members on its report on the future delivery of public services.

Review of ICT infrastructure in the public sector
16. The Committee took oral evidence from John McClelland on his review of ICT infrastructure in the public sector.

Public procurement
17. The Committee took oral evidence from Jim and Margaret Cuthbert on their report on realising the economic and social development potential of public procurement.

Scotland’s public finances: Addressing the challenges
18. The Committee took oral evidence from Audit Scotland on its report.

Fiscal sustainability
19. The Committee held a series of round table discussions on fiscal sustainability. A summary of evidence was published—

- Demographic changes
- Inequalities and socio-economic deprivation
- Universal services
- Additional funding

20. It also held a debate in the Chamber on the issues to arise from these sessions. It has agreed to take forward work on demographic changes and ageing population and employability.

Data collection
21. The Committee agreed to hold an evidence session on how to improve data collection and measure outcomes.

Scotland Performs
22. The Committee took oral evidence from the Scottish Government on its refresh of the National Performance Framework.

Scotland Bill
23. The Committee took oral evidence from the Office for Budget Responsibility on the forecasting of Scottish taxes (‘those devolved to the Scottish Parliament under the Scotland Act 2012). It also agreed to give further consideration to this issue.

Public sector pay
24. The Committee took oral evidence from Will Hutton on his review of fair pay.

UK Budget
25. The Committee took oral evidence from the Institute for Fiscal Studies and the Office for Budget Responsibility to discuss the impact of the UK Budget on Scotland.
Youth unemployment

Increasing sustainable economic growth
27. The Committee took oral evidence from Dr Lena Wilson, Scottish Enterprise; Professor Jim McDonald, Strathclyde University; and Philip Grant, Lloyds Banking Group, on increasing sustainable economic growth. It also agreed to focus on this issue in its scrutiny of the draft budget 2013-14.

Revised written agreements on annual budget process
28. The Written Agreement between the Scottish Government and the Committee had not been updated since 2005. The previous Committee made a number of recommendations in its legacy paper for inclusion in the revised agreement. The Committee agreed and published revised written agreements on the annual budget process with the Scottish Government, Scottish Parliamentary Corporate Body and the Scottish Commission for Public Audit.

David Hume Institute
29. The Committee continued its productive relationship with the Institute. It held a seminar with the Institute to discuss a range of issues which contributed to the Committee’s work programme particularly around fiscal sustainability.

Financial Memoranda
30. The Committee continued to apply its three-level system for scrutinising financial memoranda of Bills. Level 1 involves sending a standard questionnaire to affected bodies and any responses received are passed directly to the lead committee considering the Bill. This is completed in advance of the lead committee’s evidence session with the relevant minister at Stage 1. Level 2 involves taking written evidence from affected bodies and oral evidence from the Scottish Government and then produces a report to the lead committee which is issued in advance of evidence from the relevant minister. Level 3 involves the same steps as level 2, plus oral evidence from affected bodies then produces its report to the lead committee.

31. The Committee considered and reported on the following financial memoranda—

- Agricultural Holdings (Amendment) (Scotland) Bill (level 1)
- Alcohol (Minimum Pricing) (Scotland) Bill (level 3)
- Criminal Cases (Punishment and Review) (Scotland) Bill (level 1)
- Land Registration etc. (Scotland) Bill (level 1)
- Long Leases (Scotland) Bill (level 1)
- National Library of Scotland (level 1)
- Police and Fire Reform (Scotland) Bill (level 3)
- Welfare Reform (Further Provision) Bill (level 2)

In addition, it began consideration of the following—
• Social Care (Self-directed Support) (Scotland) Bill (level 2)
• Local Government Finance (Unoccupied Properties etc.) (Scotland) Bill (level 3)

Legislative Consent Memorandum

32. The Committee considered and reported on the following Legislative Consent Memoranda—

• Finance (No.3) Bill
• Financial Services Bill

Subordinate legislation

33. The Committee considered and reported on the following affirmative Scottish Statutory Instruments—

• The Budget (Scotland) Act 2011 Amendment Order 2011
• The Budget (Scotland) Act 2011 Amendment Order 2012

Equalities

34. The Committee agreed a new approach with the Equal Opportunities Committee to encourage subject committees to include equalities considerations in their draft budget scrutiny. This included each of the committees reporting to the Equal Opportunities Committee on equalities issues in the draft budget. The Committee welcomed this new approach.
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