

# **EUROPEAN COMMITTEE**

Tuesday 30 May 2000  
(*Afternoon*)

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# CONTENTS

**Tuesday 30 May 2000**

	<b>Col.</b>
<b>STRUCTURAL FUNDS</b> .....	695
<b>CONVENER'S REPORT</b> .....	722

## **EUROPEAN COMMITTEE**

### **11<sup>th</sup> Meeting 2000, Session 1**

#### **CONVENER**

\*Hugh Henry (Paisley South) (Lab)

#### **DEPUTY CONVENER**

\*Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)

#### **COMMITTEE MEMBERS**

\*Dennis Canavan (Falkirk West)

\*Bruce Crawford (Mid Scotland and Fife) (SNP)

Dr Winnie Ewing (Highlands and Islands) (SNP)

Dr Sylvia Jackson (Stirling) (Lab)

\*Ms Margo MacDonald (Lothians) (SNP)

\*Maureen Macmillan (Highlands and Islands) (Lab)

\*David Mundell (South of Scotland) (Con)

\*Irene Oldfather (Cunninghame South) (Lab)

\*Tavish Scott (Shetland) (LD)

\*Ben Wallace (North-East Scotland) (Con)

\*Allan Wilson (Cunninghame North) (Lab)

\*attended

#### **WITNESSES**

Mr Jack McConnell (Minister for Finance)

#### **CLERK TEAM LEADER**

Stephen Imrie

#### **ASSISTANT CLERK**

David Simpson

#### **LOCATION**

Committee Room 2

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## Scottish Parliament

### European Committee

*Tuesday 30 May 2000*

*(Afternoon)*

[THE CONVENER *opened the meeting at 14:09*]

**The Convener (Hugh Henry):** Good afternoon, ladies and gentlemen, and welcome to the 11<sup>th</sup> meeting of the European Committee this year. I welcome Bill Miller, who is a member of the European Parliament. He is taking time out to observe our deliberations today, and I am sure that he will take a keen interest in our debate.

I have received apologies from Winnie Ewing, who remains unwell. We put on record again our wish that she make a speedy recovery. Sylvia Jackson is attending the Local Government Committee this afternoon, and I think that Tavish Scott will be with us later in the meeting.

### Structural Funds

**The Convener:** We are in the third part of our inquiry into European funds and additionality in Scotland. Yet again, I welcome Jack McConnell, the Minister for Finance, to the committee. Such is the regularity of his attendance that I am beginning to think of him as a member of the committee.

Members should have received copies of the memorandum from the Executive setting out its answers to the general questions that we posed. I thank the minister for that. Before I invite the minister to introduce his team and to make a short statement, he should know that we have a structure for questions to supplement the information that we have received. We may submit some sections—on the allocation of funds to the UK, for example—in writing, as we will not have time to cover them today and it may be easier to deal with them in that way.

**The Minister for Finance (Mr Jack McConnell):** Thank you for the introduction. My attendance seems to be at least a monthly occurrence, but it is always a pleasure to be here. I am pleased to take part in this important inquiry and will be happy to answer questions.

David Middleton is the head of the European structural funds and local government division of the Scottish Executive development department. David Reid deals with European structural funds in the finance department. If required, they will speak today, depending on how technical your questions are. I will be happy to supply additional information

in writing if that is required, or if any issues are raised that we have difficulty in answering immediately.

I stress that Scotland has a very positive record in implementing structural funds. The European Commission has commended our decentralised, transparent and flexible approach to programme implementation and management. We have made good use of the structural funds in the past and our current main objective is to use the new funds to promote economic and social cohesion.

The funds play a key role in supporting areas of need. For example, under objective 2 we focus on areas that are undergoing industrial decline, the most deprived urban areas, rural areas, and the areas that are most dependent on fisheries.

The Scottish Executive is responsible for the implementation of the structural funds in Scotland. We work closely with the UK Government, but we develop our own approach to the management of the funds to suit circumstances in Scotland. Our overall aim is to ensure that structural funds are used effectively and efficiently so that they will leave a legacy for years to come.

The principle of partnership underpins the whole structural funds process. In Scotland, we use programme management executives for the day-to-day implementation of the programmes. PMEs act on behalf of the participating partners from various sectors, such as local authorities, enterprise bodies, colleges and voluntary organisations. That approach adds significant value to the implementation and management of the funds.

The subject of additionality has attracted members' interest in recent months, and I hope I can help to clarify matters and to provide any assurance that is required to allay concerns. The European Commission has, on a number of occasions, confirmed that the UK has met, and continues to meet, the requirements of additionality. Today I want to make clear that money that is meant for projects in Scotland gets to those projects.

14:15

Additionality, as defined by European regulations, is only part of a bigger equation. Local additionality adds to local resources; partners provide the added value to structural funding at project level. The match funding is provided by the member state and, at a local level, by project sponsors. All those elements are equally important. They are necessary to ensure that structural funds not only deliver additional outcomes to those provided by the national expenditure programmes, but provide good value for money by ensuring that European funding is

directed to areas of most need and that projects reflect local priorities.

One of the great virtues of the current system is the local benefits and commitment that are achieved by local additionality and the provision of match funding by project sponsors. Without a sense of local ownership, it would be difficult to ensure good value and to meet the requirements of European regulations in achieving convergence of European and national policy.

All the funds that are received from Europe are passed to individual projects. Under the 1994 to 1999 programmes, projects worth more than £2.4 billion were assisted, involving more than £1 billion in structural funds grants. That represented a take-up of more than 99 per cent of the programme value. There is no doubt that the funds have had a tangible impact at local level. In 1999 alone, they assisted 17,484 Scottish vocational qualifications, 3,872 jobs and 4,236 businesses. There is little doubt that the funds have added provision that would not otherwise have been made.

The new objective 2 programmes were prepared and submitted to the Commission in April. The hard work of the programme plan teams has been rewarded at this early stage, with the Commission confirming the programmes' receivability. Officials of the Executive and the European Commission will enter into formal negotiations to ensure that decisions can be made as soon as possible. Our aim is to be in a position to approve project applications before the end of the year. Negotiations on both the Highlands and Islands special programme and the objective 3 programme are nearing completion. The programme management executives will consider new project applications shortly.

For me, the effective management of structural funds is a very important issue. I hope that by the end of its inquiry, the committee will have cleared the air, dispelled the myths and supported the clear impression across Europe that Scotland spends European money well, and that we are transparent and effective in doing that. Having dealt with that debate, we will be able to move on to make a real difference in our local communities over the next seven years.

**The Convener:** Thank you very much. I want first to focus on the allocation of structural funds to Scotland.

**Bruce Crawford (Mid Scotland and Fife) (SNP):** Thank you, minister, for your opening statement, which was very useful. No one would dispute the fact that Scotland spends European money well. However, that is not the issue in this inquiry. You will be aware that over the next six years Scotland will receive about £900 million in European structural funds. That is to be

welcomed, but—because of the amount of European structural funds coming into Scotland over that period—the impact on the assigned budget will be crucial.

I have with me a copy of a letter that your private secretary sent to the clerk of the European Committee on 17 September 1999. There have been follow-up letters of a similar ilk. The letter contains a statement that I have some difficulty in reconciling with paragraph 2 of your written submission to us, and I would like to tease out the actual position. The letter said:

"If payments of Structural Fund grant increases or decreases from one year to the next, the resources available for other purposes change correspondingly, subject of course to any changes in the assigned budget as a whole. Thus the Executive will adjust its other programmes, up or down, to reflect the expected call on the Assigned Budget from Structural Fund payments in any year."

Given that statement, if the grant from the European structural funds were, for example, to go up, or come down, by £10 million in a year—and if all other things were equal, in terms of what was coming to us through the assigned budget—how would that add to, or detract from, the net overall expenditure level in Scotland?

**Mr McConnell:** It is clear that the structural funds add to the net expenditure levels in Scotland. Structural funds are an identified line in the assigned budget. They are, and have been for some time, additional to the main expenditure programmes of the Scottish Executive, formerly the Scottish Office. The reality for Scotland over the next seven years is that that expenditure will be less than is currently provided for. Although the budget that we have now, as an Executive and as a Parliament, includes approximately £170 million a year for European structural funds, we will spend less than that per annum over the next seven years. The circumstances that you outlined—in which the structural funds will go up over that time and will affect the rest of the budget—are inaccurate. The structural funds will go down slightly over that time, which will release resources for other areas. As I have said consistently for many months, this element of the assigned budget is a very good deal for Scotland and one that we would be unwise to unravel.

**Bruce Crawford:** It was not me who said that it would go up or down, minister, but your private secretary, in the correspondence that I received. The letter said that the assigned budget goes up or down to reflect the amount of structural funds coming in. Will you comment on that paragraph, which was provided to us by way of evidence from your office?

**Mr McConnell:** I do not think that is what it says. You said that the assigned budget goes up

or down if the structural funds go up or down. First, that is not what was said in the memorandum from September; it is not what you read out earlier. The point about the structural funds is that over the next seven years they go down, so that releases resources elsewhere in the assigned budget. Those resources will not, under the current funding agreement, be withheld by, returned to, or recovered by the Treasury, the Secretary of State for Scotland or the UK Parliament or Government. That is good news for Scotland. The current arrangements are that we will keep that additional resource.

**Bruce Crawford:** In that case, if no funds were coming from the European structural funds in to the UK and the Scottish assigned budget next year, what would the effect be on net overall expenditure in Scotland?

**Mr McConnell:** If no structural funds were coming into the Scottish budget next year, and if I were a member of the Westminster Parliament rather than a member of the Scottish Parliament, I suspect that I might have some questions to ask about the assigned budget. As matters stand, the assigned budget level is set and any reduction in the structural funds element of that budget benefits other Scottish expenditure programmes. That is why, as I have said again today and have been saying for many months, that is very good news for Scotland.

**Bruce Crawford:** Are you confirming that the structural funds do not affect the level of net overall expenditure in Scotland?

**Mr McConnell:** No. The structural funds are additional to the other expenditure programme levels in Scotland. The arrangement that we have with the UK Treasury, post devolution, is that if the amount of money that we spend on structural funds is less than we currently budget for—which it is likely to be per annum over the next seven years—we get to keep the money that is not spent on the structural funds. That is a good deal and one that we would be unwise to unravel.

**The Convener:** Before I bring in Ben Wallace, Irene Oldfather had a question on ring fencing in the budget.

**Irene Oldfather (Cunninghame South) (Lab):** We took evidence from Welsh academics who believe that there would be some merit in ring fencing. Would it be advantageous or disadvantageous to ring-fence structural funds in some way?

**Mr McConnell:** It is clear that any effort to ring-fence or completely separate structural funds from the assigned budgets in Scotland would be disadvantageous for Scotland and would reduce the amount of money that is available to the Parliament and the Executive. That would be a

dangerous and silly move for anybody to propose.

**Irene Oldfather:** Has any analysis been undertaken by your department on that matter?

**Mr McConnell:** No, because it has not been an issue. I am aware of the debate that is taking place in the committee and in the Parliament, but in terms of the management of the funds, nobody in the Executive, the programme management executives or the UK is proposing that there would be a reduction in the money available in Scotland and that we would want to ring-fence in any way. Ring fencing would be unwise, and I am glad that it has not been raised as an issue. There has not been any serious analysis of the matter, because it is not on the table for discussion. The money is transferred via the UK Treasury to Scotland for spending on the structural funds. That money is allowed for in our budget clearly and identifiably and has been for many years, despite the initial difficulties with additionality.

At the time of the debates over RECHAR and the additionality difficulties that existed in the late 1980s and early 1990s, I was not an MSP but I was a councillor. At that time, there was a clear difficulty with the transparency of the system and the identification of resources. There has been no difficulty since that was resolved, even under an Administration that I would have disagreed with politically. In post-devolution Scotland, we have an assigned budget that clearly identifies money for structural funds. It is a higher amount than we will spend on average per annum over the next seven years, so to attack it would be silly and disadvantageous for us, as a country or as an Executive.

**Irene Oldfather:** Is that affected by the fact that structural funds are in decline in Scotland, as opposed to the situation in Wales where they are increasing? It is not a parallel circumstance.

**Mr McConnell:** There are different circumstances in Wales. I would resent any Welsh minister trying to interfere in our negotiations with the Treasury or the European Commission, and I would not want to get involved in the Welsh ministers' discussions and negotiations with the Commission and the UK Government. It will be for the Welsh Assembly, the UK Government and the Commission to satisfy themselves that the regulations are being applied in Wales and that the Welsh programme management documents meet the requirements of the regulations and, at the same time, deliver the added value that structural funds are there to deliver.

There has never been, there is not and there will not be a difficulty with the funding of structural funds projects in Scotland. They provide not just additional money at a Scottish level, but additional value at a local level. The record of match funding

in Scotland is as good as, if not better than, that in almost every other part of the European Union.

**Ben Wallace (North-East Scotland) (Con):** I want to return to Bruce Crawford's final point. The minister's answer dealt with the surplus of EU funding and what would happen to it should circumstances change. At the moment, we are fortunate that HM Treasury allows us to keep the surplus, but I am aware that under changes to European structural funds, any surplus will be returned to the Commission. I believe that the carry-over procedures that we used to have allowed money that was not spent to be taken forward for other European projects, but that that money will now be returned to the EU. Are you saying that if we were to get no EU structural funds for the next financial period, the Scottish Barnett formula settlement would remain unchanged? If it would not remain unchanged, how would those structural funds be taken into account in the use of the Barnett formula to produce our settlement?

**Mr McConnell:** You have mixed up a number of issues in your question. I will try to unravel them. I do not really see a relationship between Barnett and additionality or that aspect of the structural funds.

**Ben Wallace:** What would be the answer to my first question then?

**Mr McConnell:** In your first point about the surplus, you perhaps misunderstood what I was saying. I was not talking about us making a profit on the structural funds—that we would get money from Europe and not pass it on because there were not enough projects to spend it on or whatever. My point was that over the next seven years the amount of money that we will be able to spend in Scotland will be less than we have in our budget because of our share of the EU structural funds cake for the next seven years.

I cannot remember the exact figure, but our budget contains approximately £170 million per annum for structural funds. On average, we will spend less than that over the next seven years. As things stand, because we are in a post-devolution situation with an agreed assigned budget, we get to keep the money that we can no longer spend on structural funds. It is not that we make a surplus on the fund; it is that we cannot spend up to that level, therefore we get to keep what is left and allocate it to other projects.

14:30

I have said publicly, in response to a demand I think from this committee, and certainly to persistent demands from the convener, that although the Executive cannot commit future Executives to something seven years from now,

this Scottish Executive would be minded to use the surplus for economic development projects across Scotland to maintain the momentum in other ways and to pursue a lasting legacy.

I hope that that clarifies the point about the surplus. There is not a surplus—a profit on the fund—but a surplus in the budget may be created as a result of the fund.

**Ben Wallace:** You are talking about the surplus in relation to departmental expenditure limits.

**Mr McConnell:** The other issue was what will happen if the amount of money that we can allocate from structural funds goes down next year, the year after that or whenever. If we are not able to spend the £170 million or so that is currently in the Scottish budget to cover that amount, the money will be freed up for other programmes. It is not taken back by the Treasury.

**Ben Wallace:** I want to get a simple answer, minister. If we got no structural funds in 2005, the year after the three years that have been budgeted, would that year's Barnett formula settlement—the Scottish block settlement—remain the same? Would the Scottish block settlement remain the same whether or not we had EU structural funds?

**Mr McConnell:** If it were to remain the same, the money would still be available in Scotland. I do not think that you can predict what might happen entirely accurately. If, for example, there was a UK general election, the Government might change and take a different approach. Under this UK Government, the agreement that we have in the statement of funding policy is that the assigned budget is as it is set, and increases and decreases to the budget are calculated using the Barnett formula.

The assigned budget contains a historical level of structural fund expenditure, so we will have more than we need to spend on structural funds for the next seven years. There is always the possibility that the UK Government could change its position. There could be a new UK Government that decided to reduce that amount or to handle additionality in different ways. It could do different things. I do not want to predict what might happen in those circumstances. If the current policies stay in place, the current budget will stay in place. The current budget allows for more money for the structural funds than we will be allowed to spend over the next seven years on structural fund projects. Therefore, there is spare allocation.

**The Convener:** Margo MacDonald has a question on the European implications of Barnett.

**Ms Margo MacDonald (Lothians) (SNP):** I am trying to understand where Barnett comes into this.



**The Convener:** Before the discussion goes any further, I should say that there is a dimension to the discussion on Barnett that is important for the work of the European Committee. However, the Finance Committee is also conducting an investigation into Barnett and how the UK budget is constructed. We need to be careful to ensure that we constrain ourselves to the European dimension and do not stray into the Finance Committee's deliberations. Margo MacDonald wants to tease that out.

**Ms MacDonald:** I just want to understand it—I wish I were at the stage of teasing it out. Minister, you have said that, in effect, there is no relationship between the Barnett formula and the structural funds. Is that right?

**Mr McConnell:** There is no relationship between the Barnett formula and the structural funds allocation that was in the assigned budget at the time of devolution because the Barnett formula relates to increases and decreases.

**Ms MacDonald:** I appreciate that I may be asking you to cut your own throat, but is it fair that Scotland should have funds that are allocated to you to spend as you like—even though you might spend them on things that we would like as well—when other areas in the UK do not have such funds? Is it only a historical accident that we have ended up with this level of allowance to spend? Is it an oversight? Is it generosity? What is it?

**Mr McConnell:** I suspect that it would be possible to find other areas in the UK budget as a whole, and in other areas of the Scottish, Welsh and Northern Irish budgets, in which different outcomes could be produced. Perhaps the Welsh or Northern Irish Assemblies have money in their budgets from the time of devolution that is on a historic declining trend, but that is their money and they can keep it. I do not suggest that we should go and poach that money from them.

It is our job, as an Executive and as a Parliament, to defend the Scottish budget and the current level of expenditure in Scotland. If the amount of structural fund expenditure in Scotland is going down over the next seven years, I as Minister for Finance am perfectly happy to spend any money that is freed up in the Scottish budget as a result of that on other projects—preferably economic development projects. I think that that would be a good thing for Scotland; for us to give that money away or to argue for anything different would be to abdicate our responsibility as members of the Scottish Parliament. In other words, I am not going to cut my own throat.

**Ms MacDonald:** No, I would not expect you to—it would be so messy.

I would like to suggest another way of arranging things. You prefaced your remarks by saying that,

throughout Europe, the Scottish way of doing things is seen to be effective and efficient. There is another way. You could arrange things the way the Flemings do: the structural funds could go straight to the local, regional or whatever level of devolved parliament. In other words, the funds go straight into your Flemish equivalent's books. If we did that, we could see what structural funds were coming in and we could work out whether what had been assigned to us was fair and reasonable.

**Mr McConnell:** In principle, the situation in Belgium is the same as the situation in the UK: the money is allocated to the member state and the agreements and the implementation of the regulations lie with the member state. That is the same for Belgium as it is for the UK. That is the devolved settlement that we have. The point that I am trying to make—and I have been trying to make it for a number of months now—is that the current position is of direct financial benefit to Scotland. It would therefore be very unwise of us to challenge it or to offer to give money away.

**Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab):** I, too, would like to ask about the Barnett formula, although I will not stray into the territory of the Finance Committee. This inquiry was set up partly because of an assertion by some people that Scotland is losing out on its fair share of European Union expenditure, or had lost out in the past, because of the operation of the Barnett formula. Welsh academics who have given evidence here have asserted that Wales seems to have done badly compared with Scotland. What is your view, minister? Has Scotland lost out in the past because of the operation of the Barnett formula?

**Mr McConnell:** At the time of the debates about this—especially over RECHAR—in the late 1980s and early 1990s, I was involved as a council treasurer and leader. Interpretation of the regulations was clearly an issue at that time. However, those of us who were involved in Scottish local government accepted the agreement that was reached between Bruce Millan and the UK Government. That agreement has worked well in practice. In my work during the past 12 months, I have found no evidence that that agreement was not being implemented and that the money was not providing additional support in Scotland.

I have read the evidence that you heard at your previous meeting from the Convention of Scottish Local Authorities, which is not slow in coming forward to argue for additional money for Scottish local government. Although they will always want more money, COSLA and the other funding agencies at local level have rightly always found the required match funding for the projects that they want to sponsor.

The evidence from the Welsh academics who spoke at that meeting showed that the direct consequence of their argument is that money might be transferred from Scotland to Wales. I do not agree that that is the solution to their argument or to the negotiations that are taking place between the National Assembly for Wales, the UK Government and the European Commission, which are a matter for those bodies. I believe that it is the job of the Parliament and the Executive to defend our current budget and to use it in the best possible way. I am set on doing that.

**Ms MacDonald:** How will you defend that position if it is not the Welsh who ask for more money, but the new devolved body in London? The clear implication of everything that you have said is that we are dead lucky and are somehow managing to get something under the counter.

**Mr McConnell:** I did not say that we are getting anything under the counter. Our funding is very public—it is in a published line in a budget. It is based on the agreed financial settlement at the time of devolution. Under that settlement, the Scottish budget at the time of devolution is provided for as an assigned budget for the Scottish Executive. That budget is then added to—there may be decreases in exceptional circumstances—each year according to the Barnett formula so that Scotland receives a share of the increases in UK public expenditure. That is an agreed formula and it has stood the test of time during Administrations of various political colours in the UK. In my view, that is a good agreement for Scotland.

**The Convener:** However, it is not one that will be addressed by this committee. We are concerned only with the European dimension.

**Bruce Crawford:** I want to follow up on Margo Macdonald's point about the Flemish Parliament. I have a note from the clerk to the finance committee of the Flemish Parliament describing how money finds its way into the regional treasury. It is linked in many ways to the question that Ben Wallace asked as a supplementary to my question, about whether the assigned budget would stay the same if Scotland did not receive EU structural funds.

The note says:

"the European money doesn't stop in the Belgian Federal Treasury. The money goes straight to the regional treasury. So the money is in addition to the 'normal' funding for the regions and communities."

Will you reflect on that, minister?

**Mr McConnell:** That is what happens here as well. The money is passed from the European Commission to the UK Treasury and then to the Scottish Executive, and we give it to the project sponsors. I do not see the difference between

what you have just described and what happens in the UK.

I am sorry if I am not good at making this point in an understandable way. The amount of money that comes from the European Commission, via the Treasury, to Scotland, every penny of which is directly passed on to the agreed projects in Scotland, is less than is allowed for in our overall budget in the next seven years. Therefore, our budget benefits as a result of the new programme round.

I have mixed feelings about the fact that we will spend less money in structural funds in Scotland over the next seven years than we spent in the past seven years. In one sense it is good, because it means that our gross domestic product has increased in comparison with that of the other nations and regions of the European Union. In another sense it is bad, because we have less money to spend on structural funds projects that provide added value in Scotland. The financial reality is that there is spare money in the Scottish budget, which we will use to good effect. Every penny that comes from the European Commission via the Treasury for a project that has been agreed in Scotland by a monitoring committee, the programme management executive or the Scottish Executive reaches that project.

**The Convener:** I will ensure that we obtain relevant information on the situation in Belgium from our adviser. We will consider that matter in that way rather than turn this meeting into an argument about how Belgium deals with structural funds.

**Ben Wallace:** As the Treasury has in effect set the departmental expenditure limits, we will be guaranteed that money regardless of any fluctuations in the structural funds over the next seven years. I agree that that is a good thing.

I want to return to how the structural funds are affected by the Barnett formula. When Helen Liddell was Economic Secretary to the Treasury, she wrote, in reply to Christopher Ruane MP, about how structural funds should be spent in Scotland and the devolved areas. I wonder whether the minister will agree with the slightly different view that she gives of how structural funds are affected by the Barnett formula. She said:

"it is right that Structural Fund spending in the UK should be channelled through the public expenditure system, since it is ultimately financed by the UK taxpayer, and so should be subject to the same oversight by Parliament. For Wales, Scotland and Northern Ireland, cover for Structural Fund spending must be found within their respective blocks, determined on the basis of the Barnett formula."

Do you agree?

14:45

**Mr McConnell:** That is a simplistic description—*[Laughter.]* I could expand the sentence, treble the number of words and explain it more clearly, but the overall total in the Scottish block is determined each year by the increase on the previous year's expenditure that is allocated by the Barnett formula. The structural funds are a line within the block. That is what is being said in that passage.

The point that I was trying to make is that the Barnett formula does not apply to the original level of expenditure, which is set in the budget. The Barnett formula is about the increases in expenditure each year. There is a common misconception in Scotland—I do not suggest that you share it—that the Barnett formula is a mathematical formula that is used each year to divvy up total UK public expenditure. As you know, that is not how it works. It relates specifically to increases.

The fact that we receive any increase at all is of benefit to Scotland because the amount of money that we are spending on structural funds will go down.

**The Convener:** We will move on. Allan Wilson has some questions on the surplus.

**Allan Wilson (Cunninghame North) (Lab):** My questions are more specifically on project expenditure and the effectiveness of delivering planned programme expenditure to projects. You produced a table showing a number of figures on the single structural funds expenditure line, from 1993-94 to last year. The figures show an increase in outturn expenditure in that period—I assume that the figures are expressed in cash rather than real terms—from £107 million in 1993-94 to £200 million last year. That is an increase of almost 100 per cent, but planned expenditure increased by only 25 per cent over the same period. There were substantial surpluses and then a very substantial deficit in the most recent financial year.

What is the reason for the surplus in structural funds spending between 1993 and 1997? More recently, have structural funds been reallocated from non-European programmes to cover the deficit?

**Mr McConnell:** There are several reasons for that. One of the main reasons is that the method of payment of grants changed. We now pay grants up front, which has reduced delays. As a result of the end of the programming round at the end of last year, there was a rush of applications and closures, which led to a requirement to pay out more grants.

The good news is that the money was financed from the UK reserve as a draw-down on future expenditure rather than out of other expenditure

programmes in the Scottish budget—Mr Reid will correct me if I am wrong. The statement of funding policy and the arrangements in place mean that when we have such an exceptional position we have another option besides having to break agreements and delay some payments—which we felt would be unfair. We wanted to make the payments we had promised.

When the applications came in more quickly than we expected, we went to the UK reserve and drew down money that will now be allocated against future years—so the payments could be made without any impact on other expenditure programmes in Scotland. I think that that shows that the statement of funding policy is working in practice, allowing us to make payments without having an impact on other elements of the Scottish budget. In many ways that proves that additionality is being created in Scotland.

**Allan Wilson:** That is very important, because a £47 million deficit is almost 25 per cent of an expenditure of £200 million. If that had not been drawn off the UK reserve it would almost certainly have counterbalanced any prospective benefit over the period of the next planned programme of expenditure.

**Mr McConnell:** It is a good example of the funding policy working in practice. It would have been difficult, even within a £17 billion budget, to gain approval to allocate that money from another area of the Scottish budget. It would have been unhelpful for us to work in that way and it was better to make the application in exceptional circumstances. We got the allocation we wanted and that was then passed on to the successful projects.

**Allan Wilson:** It has obviously been of great benefit to the Scottish block and to the individual projects.

**Ms MacDonald:** But we pay it back—it is a loan from the UK reserves?

**Mr McConnell:** It is drawn down from future years. It means that there will be less to pay in some of the years to come as a result of some of the grants being paid more quickly than we expected.

**Ms MacDonald:** It is not a handout—it is a wee loan to finance the projects, which is paid back.

**Mr McConnell:** It is not a handout but it was a very useful hand down in the circumstances.

**Ms MacDonald:** I am just teasing it out.

**Ben Wallace:** I have found it very hard to track European funding. If you ask the simple question, how much has Glasgow received from European structural funds in three years, it is very difficult to find an answer. Even the Strathclyde European

Partnership does not quite know because of the way the different budgets are set up. I am aware that the European Court of Auditors has sometimes been severely critical of the European Commission's process of assessment. Do you have any plans to make the process more transparent and the funds given out more trackable?

**Mr McConnell:** The way funds are distributed in Scotland is more transparent than almost anywhere else in the European Union, although I am not completely happy that it is as transparent as it could be. One of the issues addressed in the recent review of the work of the programme management executives—which we discussed the previous time I was at this committee—was a way to make the process even more transparent so it is possible to follow the money from Europe through to the individual local project and to account for it fully. In the programme management executives, we should have consistent methods to monitor and report on that. This committee will have a key role as an annual monitor of how the programmes are going.

The current situation here is better than that in most other places, but it can be improved. We have made recommendations to improve it and I share your desire to have clarity over the next seven years. We are committed to trying to achieve that.

**The Convener:** Let us move on to additionality.

**Dennis Canavan (Falkirk West):** How does the UK Government demonstrate additionality to the European Commission?

**Mr McConnell:** I am not involved directly in the discussions between the UK Treasury and the European Commission. The Commission demands additionality of all programmes through the member states. The current programming round involves identifying the resources that would have been spent on those different areas in advance so that the Commission can consider what is spent over the years and ensure that the money that it provides is not used as a substitute for the national expenditure.

For example, if £10 billion of spending was predicted in the UK on a particular programme for the next seven years and structural funds were planned to contribute an extra £500 million, the European Commission would want to check that £10 billion was always in the UK budget each year and was not being reduced to £9.5 billion, the European money being used to fill the gap. The European Commission now insists not only on transparency in the use of its money in the system, but on knowing in advance the predicted level of expenditure on a particular programme and on receiving proof that all of that money has

been spent on the programme and that none has been replaced by the European money.

**Dennis Canavan:** You say that the Government must ensure the additionality of all programmes. Is not additionality measured according to the funding that is granted under a particular objective rather than on a programme-by-programme basis?

**Mr McConnell:** Yes, it is. At you heard in the evidence that you received from Mr Bachtler at your previous meeting, the Commission now has an interest in monitoring the added value—the wider definition of additionality—at a local level as well. The core additionality regulations and provisions are monitored at the member state level, but the European Commission is also interested in checking that that additionality is flowing down through the system into the regions, nations and programme areas. It might not be possible to do that as clearly and simply as it can be done at the member state level, but it is being done. That is why the content of the programme documents that we had to submit at the start had to be much more specific and include commitments on expenditure and predictions of the percentages that would be allocated from the European structural funds to local projects. The negotiations are taking so long partly because those figures are important to the Commission; they are what the Commission will use to check that additionality has been filtered down right through the system.

**Dennis Canavan:** Could you please forward to us the documents that you have to provide for the assessment of additionality?

**Mr McConnell:** Yes. Those documents may be in the ownership and control of the UK Government, but we will provide what documents we can.

**Ms MacDonald:** I have a wee question. You started your reply to Dennis Canavan by explaining that you had not been personally involved in this. As the Minister for Finance for the Scottish Parliament, how do you see yourself in future being involved in this process of setting the level of structural funds and of deciding how additionality is to be demonstrated? How will you take a proactive part in that process and not merely supply the statistics that you have said you have to supply?

15:00

**Mr McConnell:** The negotiations between the member states and the European Commission will continue to be between the Treasury and the Commission, but there are a number of important roles for us.

The first is to take part in the regular dialogue

that I have personally with Commissioner Barnier and that our officials have with the officials in the Commission. That dialogue is important, direct and two-way. The second is to perform the job in Scotland of making sure that our expenditure is transparent, as Mr Wallace referred to: that we prove in Scotland that that money is giving added value at a local level and is not supplanting local expenditure programmes or national expenditure programmes, and that it is producing the match funding that is required. The third is to carry out the local, national and European priorities that were set out in the original regulations in the programme documents that we submitted. We have to prove all those things.

My job is to ensure that we have the confidence of the European Commission and that there is never any doubt about the money that comes to Scotland. One of the reasons I welcome this inquiry is that, if I had been sitting in Brussels, the debate that has taken place in Scotland in recent months over some of these issues would have put some questions in my mind about the expenditure in Scotland.

I read the *Official Report* of the committee's previous meeting and what I am saying today is backed up by the Welsh academics, the Commission and the Convention of Scottish Local Authorities. I hope that having heard all the evidence, this committee will ensure that through this inquiry—and also through the Finance Committee's inquiry—people in Brussels know that they can have confidence that in Scotland we get added value at a national level and a local level, and that we spend this money wisely, transparently and well. If we get that message across, and I can reinforce it over the next few years, that will be a job as Minister for Finance that is well done.

**Ms MacDonald:** To press you on that, I want you to be more proactive. If you are so confident that we are doing this so well, I want you to take the lead and go to the areas in Europe where the Commission is not too pleased with how funds are dispersed and say, "This is how you do it, boys."

**Mr McConnell:** I would not want to tell the Commission how to do its job. That might be a dangerous game. I would not want to go marauding around Europe telling people how to spend their money, much as that might be enjoyable even at this time of year. I think that our work is recognised in Europe.

This may be an appropriate moment to tell the committee that I have been invited to speak at a conference in Brussels next Monday at which this topic is being discussed. We have been invited because of our record on implementing the funds and because of what not only the Executive but this committee are doing in monitoring and

pursuing the programme management document process. Commissioner Barnier specifically invited somebody from Scotland to speak at that conference because of our good record. I will be delighted to spread the word on your behalf.

**Ms MacDonald:** I did not know that the commissioner and I thought the same way, but it is nice to know.

**Ben Wallace:** I am sorry to muddy the patch, minister.

**Mr McConnell:** We were getting on so well.

**Ben Wallace:** I did not mean to sneak on you in the European Commission, but if you cast your mind back to the comprehensive Highlands and Islands transitional funds plan, there were a number of elements in it that alluded to additionality being used to substitute for some of the Government's social duties, such as the fact that an amount of money was going towards pump stations and the water supply. I asked you if you thought that that was substituting. I mentioned it to the Commission as an example and, funnily enough, it said that it would not be happy with the concept. Now that we are more involved in the rules on additionality and that you have been in the Minister for Finance's seat for longer, could you reflect on whether there is a danger that the Commission may be displeased with some of the plans?

**Mr McConnell:** In the Scottish Executive and the Parliament, our job is to press the case for the maximum benefits for Scotland in whatever task we undertake. In relation to the structural funds, our task was to produce programme management documents that would be, in our interpretation, within the regulations, but would get the maximum benefit for the communities affected in Scotland.

We did that on the Highlands and Islands plan. That has now been subject to the process of negotiation and discussion with the Commission. The final plan that is agreed as a result of the process of negotiation and discussion will not be identical to the one that was submitted, because we must take account of its interpretation of the regulations as well as ours. I have no doubt that when the European Committee sees the outcome of those negotiations, while not everything that we asked for will be there, members will find that we have achieved a good deal for Scotland in those negotiations. That is part of the process of pushing the interpretation in the direction that would provide the maximum added value in additionality to those communities.

**David Mundell (South of Scotland) (Con):** I wish that we were in Brussels. Of course, we in this committee would have to face the rigour of the Scottish Parliamentary Corporate Body in such travel if we were invited.

I think that you have touched on this already, but will you go over again how you fitted into the UK assessment of additionality for the Commission's purposes? Where do you fit into this process?

**Mr McConnell:** It might be helpful for us to give you a note on that. Mr Canavan asked the same question. It might be helpful if we outlined what we submit and when rather than spending time at the committee going through fairly technical stuff. We will detail what we complete, what information we have to provide and so on.

**David Mundell:** Will you clarify within that who your other players are?

**Mr McConnell:** I will be happy to do that. I assume that you want to know about the reporting mechanisms.

**David Mundell:** Yes. I want to know about the Scottish Executive's role and your role as the Minister for Finance.

**Maureen Macmillan (Highlands and Islands) (Lab):** I appreciate that a robust line has been taken in negotiations on the Highlands and Islands funding. How is the UK baseline for demonstrating additionality calculated? How was it calculated for the 1994 to 1999 programme and what departmental and programme expenditure is included in that? That is not clear. Did the baseline figure change in real terms over the programme period?

**Mr McConnell:** I do not know whether my colleagues can help me, but I certainly do not feel qualified to give you a detailed answer on the UK baseline figures. I imagine that we could probably provide that information to the committee. We would need to get it from the UK department.

In relation to the Scottish figures, as members will be aware, the creation of a single line in the Scottish budget for European structural funds took place in the early 1990s. That line has continued and reflects the expenditure each year since then. It has not impacted on the individual baseline figures for the other expenditure programmes. As I understand it, in the Scottish Office the budget was put together on an annual basis. The outturn figures, as Allan Wilson has already said, do not necessarily reflect the planned budget and figures in any given year.

For several years there has been a specific line for European structural funds. That line has not been increased to the detriment of other lines with any comparable trade-off. If it had been, I am sure that that would have been spotted by the Commission or by others. As I said earlier, over the course of the next seven years, the structural funds line will end up slightly smaller than it is at present. While that will release resources in our budget, it will remain as an identified line. I hope

that the overall amount being used will be transparent.

That approach will not impact on the baselines for all the departments. For example, we do not sit down and discuss an allocation for European regional development funding in North Ayrshire, saying that we would be able to take £500,000 from North Ayrshire Council's budget next year, and adjusting the local government line as a result. That is not how the budget is put together. The structural funds are additional to the rest of the budget. The local authorities, colleges and local enterprise companies and voluntary sector organisations must themselves decide local priorities and put up the match funding for projects at a local level.

**The Convener:** I presume that we will also get baseline figures for 2000 to 2006.

**Mr McConnell:** I have not seen the UK documents and I am not sure exactly what information has been published, but we will get you as much information as we can.

**Bruce Crawford:** We are not able to tease out some of the questions fully, because of the responsibilities of UK departments. That probably signals to us that we need to go back to the Department of Trade and Industry or to the Chancellor of the Exchequer or the Secretary of State for Scotland either with further questions or to make another request that they appear before the committee.

Coming back to the general line of questioning, I am interested to know whether there is a non-Barnett element that affects the share of funds that we receive. For example, further to the questions that Ben Wallace and Maureen Macmillan asked, if we get no structural funds, will we still get 10.39 per cent of the changes in expenditure that apply to England and Wales?

**Mr McConnell:** Do you mean in addition to each year's budget, as opposed to the actual budget?

**Bruce Crawford:** Yes. If we get no structural funds, will we still get 10.39 per cent of changes in expenditure that are applicable to England and Wales?

**Mr McConnell:** Yes.

**Bruce Crawford:** In that case, minister, you are telling us that, whatever happens, we will get that 10.39 per cent of what happens in England and Wales.

**Mr McConnell:** The point that I made earlier was that we benefit from the present budget situation for structural funds in Scotland. The budget provision in the assigned budget, which was agreed at the time of devolution, is more than we will need, or be able, to spend over the next

seven years. In addition, should the Scottish assigned budget be increased as a result of decisions made on structural funds elsewhere over the next seven years, our share of that money will also be in the Scottish budget—it will be freed up at the same time.

**Bruce Crawford:** So it comes back to the question that I asked earlier. No matter what happens, that 10.39 per cent will come to us.

In what way does the money that comes through structural funds impact on the overall net public expenditure level in Scotland?

**Mr McConnell:** I just described that situation. I am sorry if I need to go back through this again. The structural funds are a specific line in the Scottish assigned budget.

**Bruce Crawford:** I understand that.

**Mr McConnell:** I am sorry, but you asked me a question and I have to provide the answer. The structural funds are a specific line in the Scottish assigned budget. That line is clearly identified as additional to the other expenditure programmes in the Scottish budget and it is likely to decline over the next seven years.

**Bruce Crawford:** That is not the question that I am asking, convener.

**Mr McConnell:** Therefore, structural funds will free up resources within the overall assigned budget for other programmes, or for a reserve, if we want to create one.

That is a clear answer—the only potential impact of changes in the structural funds budget over the next seven years that there might possibly be is an increase in the money available for other programme budgets. I think that that is good news.

**Bruce Crawford:** I am talking about net overall expenditure.

**The Convener:** We have been over this before. I will move on to additionality and its application at regional and programme levels.

**David Mundell:** Would the principle of additionality apply at regional and programme levels in the UK? Could the UK demonstrate that principle in Scotland, if the Commission asked it to, although it has indicated that it would not ask for that?

15:15

**Mr McConnell:** I do not want to speak on behalf of the UK Government, as I am not here to represent it. However, I wish to be clear in repeating what I have already said: the European Commission has made it very clear for some years that the UK Government meets the additionality regulations. Twice in the past few months, this

committee has heard from European Commission officials reiterating the position that it views the current additionality arrangements in the UK as within the regulations.

I can comment on what happens in Scotland. It is clear that the expenditure on European structural funds, at both a Scottish and local level, is additional to the existing public expenditure provision. That money goes straight through to be spent on the projects for which it was agreed. I have no doubt about that, and I believe that the Commission would not hold us in such high regard for the way in which we spend that money if it had any doubts about it. It is clear from the evidence that it gave to this committee—I believe that Mr Beschel referred to Scotland as a flagship at the previous meeting of the committee—that the Commission views us as a very good example for providing the added value that represents the purpose of additionality.

Additionality is not some formula defined to keep committees happy somewhere; it is there to ensure that the funds are there to make an impact. That is what we achieve in Scotland, and we should be proud of it rather than criticising it.

**David Mundell:** I am not sure if you are aware, minister, that Dafydd Wigley and your good friend Andrew Wilson MSP met Commissioner Barnier earlier this year. After that meeting, the commissioner said:

"Naturally, I understand the reason why Mr Wigley and Mr Wilson would like to see this national assessment of additionality applied to their respective regions."

Do you understand, minister, why they would want it to be applied to their respective regions? If so, do you believe that it should be disadvantageous for it to be applied to Scotland?

**Mr McConnell:** I can understand that the Wigley-Wilson statement is designed to achieve that national assessment of additionality. I think that they are wrong. It is not really for me, as a minister, to comment today on members of the Scottish Parliament and on their intentions on such matters, but they are clearly wishing to make a political point. That is fair enough, and I am happy to debate that at any time. I have been happy to do so over recent months. However, I think that they are wrong: I think it absolutely appropriate for such matters to be determined at the level of the member state, which conducts the negotiations and which provides the finance to Europe—which then provides the structural funds back. That relationship therefore has to be clear.

I also think that, in the interests of Scotland, it would be fundamentally wrong for us to volunteer a reduction in our budget. That would be the direct impact of what I believe are the ideas of those who think that the structural funds should be treated

separately from the rest of the assigned budget. It would mean that the overall budget available for public expenditure in Scotland would be reduced. In my view, the people who advocate that position or who question the current circumstances in a way that might lead to that position are fundamentally wrong.

**Ben Wallace:** I wish to return to the idea of the Treasury making up the shortfalls. Far be it from me to flag this up, but is it not a little unfair to the English?

**Ms MacDonald:** That is what I was saying.

**Ben Wallace:** I think that everybody in the United Kingdom should have a fair share. We are getting a disproportionately fairer share, and if I was in England, I would perhaps be asking why the Treasury should make up the difference if the structural funds fluctuate.

**Mr McConnell:** The key thing is that this applies across the board. The factual answer that I am able to give the committee is that the impact of the regulations, of the agreements on funding policy and of everything else will be that resources—not a huge amount, but some—are freed up over the next seven years in Scotland.

There will be other programmes—other parts of expenditure—where the historical position may be advantageous to some other part of the United Kingdom. Given what has happened in Northern Ireland in the past 30 years, I am sure that parts of the Northern Irish budget that were set at the time of devolution will be advantageous to the people there; 10 years from now, we in Scotland might think that the situation is not quite as fair as it seems today. That is part and parcel of setting a date on which a budget is devolved. It is our job and our duty to stand up for the Scottish budget and for the interests of public expenditure in Scotland.

**Tavish Scott (Shetland) (LD):** I am concerned that the argument is becoming some sort of virility test. That observation is not confined to any one party.

Minister, in your answer to David Mundell's question, were you describing a different mechanism for defining additionality in different parts of the UK? You have probably seen the Convention of Scottish Local Authorities briefing note from Christine May on the administration of structural funds in Scotland, which describes the different mechanism for Department of Trade and Industry match funding. Are there different mechanisms in different parts of the UK? I hope that no one is insulted by the way that I phrased that question. Is that difference replicated in other parts of Europe at sub-member state level?

**Mr McConnell:** The Department of the

Environment, Transport and the Regions is taking a slightly different approach from that taken by its predecessors, particularly in relation to the arrangements in Scotland. In the new programming round, the DETR will try to move closer to the Scottish system. That is a recognition of the fact that the Scottish system is more flexible and successful in the take-up of the allocation of resources. Indeed, the Scottish system has been seen to work in terms of added value and additionality. That is reflected in the interest in some elements of our system not only in Europe, but in England.

**Tavish Scott:** Therefore, the Commission must not have a problem with a slightly different interpretation of rules in different parts of the UK.

**Mr McConnell:** It is not a case of interpreting the rules in different ways; it is about the internal funding of different parts of the public sector in England and Scotland. We had a different approach in Scotland, partly because of the scale on which we operate and partly because of the different partnerships and system of local government that has evolved over the years. Much of the process began at a time when we still operated in regions, under a two-tier system that did not exist down south. Fortunately, post-reorganisation, our partnership bodies held the local authorities together in such structures and the system has not been damaged by the change.

**Bruce Crawford:** I want to extend this beyond the UK. Minister, you are clearly an important player on European issues in the Executive. You must be aware of other parts of the EU that use population-based formulae for internal state financial transfers. Generally, the Barnett formula relates to population base. Which of the devolved areas in the European Union has the closest system to Scotland's when it comes to the internal state transfer of EU structural funds?

**Mr McConnell:** Are you asking which states use a formula closest to the Barnett formula or which states use a similar process for the transfer of structural funds? Could you make your question a little clearer?

**Bruce Crawford:** We have a process for the internal state transfer of EU structural funds, which come through the Barnett formula. Which other European states have a similar approach?

**Mr McConnell:** With respect, you seem to be mixing up the questions again.

**Bruce Crawford:** I do not agree.

**Mr McConnell:** The Barnett formula is used to determine the overall allocation of expenditure for Scotland, following on from increases in public expenditure in the UK as a whole, including England and Wales. As I said, the allocation of



structural funds to Scotland follows a very direct route. Once projects have been agreed for funding and have committed the money, the money comes directly from the European Commission through the UK Treasury to Scotland and every penny reaches its destination. The two issues are slightly different. The transfer of funds comes direct from the European Commission to the Treasury to Scotland. The Barnett formula concerns the overall allocation of public expenditure in Scotland.

**Bruce Crawford:** If that is the understanding, will you provide an example of where else that happens in the EU?

**Mr McConnell:** Convener, although I have tried very hard to answer questions on financial matters, I was asked in advance by the convener of the Finance Committee to remember the remits of the two committees. I have tried to be helpful on this issue.

**The Convener:** If we need any other information, we can undertake some research on the matter.

Finally, I want to touch quickly on match funding. Although we will write to you with some questions on the subject, Cathy Jamieson has a few questions to ask now.

**Cathy Jamieson:** I have a question about the potential interchangeability of public and private match funding in the new programmes. I understand that the new programmes will operate differently, particularly regarding the relationship with potential funding from the lottery, which is primarily decided on a project-by-project basis. Can you comment on that, minister?

**Mr McConnell:** I wish I could. I am not sure how lottery allocations will alter local match funding arrangements. I look for advice to Mr Middleton, who looks as sure about the matter as I feel.

**Cathy Jamieson:** Could you provide a detailed written response to the question?

**Mr McConnell:** Yes.

**Allan Wilson:** Given that you have established a single structural fund line within the budget that comprises the main beneficiary programmes, how do you determine that the moneys expended in match funding are proportionately what they should be? For instance, how can you ensure that the Highlands and Islands does not benefit disproportionately at the expense of the west of Scotland, Glasgow, North Ayrshire or North Lanarkshire, where social disparities might be greater?

**Mr McConnell:** There are two completely separate allocations to take into account. First, there is the allocation of structural funds based on the programme documents and the percentages of

funding that go to objective 1, objective 2, objective 3 and so on. Secondly, in a separate but related exercise, there is the allocation of money to such bodies as colleges, the voluntary sector, local authorities, the local enterprise companies, Highlands and Islands Enterprise and Scottish Enterprise. We insist that match funding should come from within those bodies' mainstream resources. They have to demonstrate a commitment to the project. We are not talking about throwing European money at projects that people might fancy doing if spare money were available; these are projects that people want to do but cannot because not all the funding is available. The added value is then provided by the European structural funds; local authorities, for example, automatically get additional capital consent for that European element. Although those bodies have to provide their element of the match funding from within their own funding, European funding does not count against their resources, because it is additional to elements such as section 94 capital consents.

**Ms MacDonald:** One tiny wee thing has occurred to me.

**Mr McConnell:** Out of the corner of my eye, I could see that something had occurred to you.

**Ms MacDonald:** You seemed quite happy with the role of the state in the EU and how that body negotiated everything from the start. We seem to be very good at administering what is decided at the Council of Ministers. If we are heading towards a Europe of the regions—which everyone thinks is a great idea—where would you, as a Minister for Finance who does not take part in fundamental policy making and principal decisions about structural funds, fit into such a structure?

15:30

**Mr McConnell:** I do not interpret what we do as simply administration; we have an influence over UK and European policy on these matters. As Christine May said at a previous meeting of this committee, even COSLA has an interest—through the Committee of the Regions—in what is planned for the structural funds over the next few years. This is not just a straightforward issue of public bodies in Scotland and the Executive administering what is agreed for us elsewhere.

When we put the programme documents together, we negotiated with the Commission in Brussels. The plans reflect our Scottish priorities as well as local priorities. We now have a Scottish framework for objective 3, which did not exist in the past, and we have a much more significant role than that of simply administering funds. We have a role not only in implementing and deciding policy and priorities, but in influencing the priorities

and policies of the Commission in advance. I assure you that we do that.

**Ms MacDonald:** How do you influence the Commission in advance?

**Mr McConnell:** It can be done partly by influencing the UK Government and partly by influencing the Commission in the discussions that it has with the UK Government all the time.

Ben Wallace asked about some of the elements of the Highlands and Islands plan. As I wrote to the convener, we are currently involved in discussions with the Commission about the content of the Highlands and Islands plan and what we think are very important policy priorities that the Commission might feel are outwith its interpretation of the regulations. We are negotiating those points and will, I hope, reach an agreement that not only is in the interests of the Highlands and Islands, but satisfies the European regulations.

**Ms MacDonald:** I have a final question.

**The Convener:** No. You have had your final wee question, Margo.

**Mr McConnell:** We are talking about a detailed matrix of connections, but those relationships are important. As the committee found when it was in Brussels, regular formal and informal contact will be as important for Scotland as our contacts with Brussels through London. We are making full use of our contacts, which is partly why Scotland House exists and is working well for us.

**Ms MacDonald:** I was only going to ask whether we could use the Highlands and Islands plan as an example, convener. If we can see how the Highlands and Islands proposals are pursued, and track them through discussions, we will be able to see how the system works.

**The Convener:** Margo, you have a tremendous ability to get the last word in.

Thank you very much for your time, minister. This has been a full session. We will get back to you in writing on some of the issues that were covered today and on some that we were unable to cover because of time constraints. Other attendant issues might arise, on which we will need to approach other sources, but we will speak to you first.

**Mr McConnell:** Thank you very much.

## Convener's Report

**The Convener:** The next item on the agenda is the convener's report. There are three short items.

First, I ask committee members to note a proposed meeting with His Excellency Daniel Bernard, the French ambassador to the United Kingdom. We are attempting to secure a slot on the afternoon of 28 June. The ambassador has kindly agreed to meet members of the committee. However, the timing does not coincide with a committee meeting and we must try to arrange for members to meet him during a plenary meeting of the Parliament. If members can try to keep some time free, the clerk will return with the arrangements as soon as we have more details.

Secondly, I ask members to note that there will be a meeting with a delegation from the European Parliament Committee on Fisheries in the evening of 20 June. Further details will be circulated when they are available.

Thirdly, I ask members to agree to the publication of the committee's report on revised working procedures, which we discussed at the previous meeting. Is the committee agreed?

**David Mundell:** Convener, I do not have any objection to it being published, but neither Ben Wallace nor I were present during the meeting when it was discussed. I would like to see it before it is made public. No minutes have been made available of that meeting.

**The Convener:** We will circulate the report for comments and at the next meeting we can agree whether we want to publish it. Okay?

**Irene Oldfather:** As a result of the discussion that we had at the previous meeting, the report may have been amended. Although we agreed the report in principle, there may have been room for other points that members contributed.

**The Convener:** Yes. Several points arose from the discussion, not only on revised working procedures but on the focus of the committee's work. Although not all members were here, those points may lead to a substantial rethink of the way in which we are spending our time. We will have to return to that, as some very detailed suggestions were made.

**David Mundell:** I am not expressing disagreement, convener, but I would like to see the report before it is published.

**The Convener:** We will circulate the report and consider whether there should be another discussion before its publication.

Finally, I ask members to note that the next meeting will be on 13 June at 2 o'clock in

Edinburgh.

**Ben Wallace:** On a point of order. The initial remit of the European Committee, which is still agreed, is the scrutiny and sifting of European documents. I am aware that that might have been suspended while we undertook our other tasks, but have there been no such documents for our scrutiny? I am concerned that some might have been received without our knowledge.

**Stephen Imrie (Clerk Team Leader):** I can confirm that we have not ceased scrutiny of European documents. We have indicated to the convener that the ones that we have received are for no further action and have no points for consideration.

While we have been dealing with our inquiries, we have not brought those documents to the committee, but we are continuing to look through every document to see whether, in our opinion, anything should be brought to the attention of the committee. We would notify the committee if that were the case.

**The Convener:** The documents will be listed when we return to our normal business routine.

**Ben Wallace:** Okay. Thank you.

*Meeting closed at 15:36.*



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