

FINANCE COMMITTEE

Tuesday 2 November 1999
(Morning)

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PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) BILL: STAGE 287

FINANCE COMMITTEE

6th Meeting

CONVENER :

*Mike Watson (Glasgow Cathcart) (Lab)

COMMITTEE MEMBERS :

*Mr David Davidson (North-East Scotland) (Con)

*Rhoda Grant (Highlands and Islands) (Lab)

Mr Adam Ingram (South of Scotland) (SNP)

*George Lyon (Argyll and Bute) (LD)

*Mr Kenneth Macintosh (Eastwood) (Lab)

*Mr Keith Raffan (Mid Scotland and Fife) (LD)

*Dr Richard Simpson (Ochil) (Lab)

*Mr John Swinney (North Tayside) (SNP)

*Elaine Thomson (Aberdeen North) (Lab)

*Andrew Wilson (Central Scotland) (SNP)

*attended

THE FOLLOWING MEMBERS ALSO ATTENDED:

Brian Adam (North-East Scotland) (SNP)

Mr Jack McConnell (Minister for Finance)

COMMITTEE CLERK:

Sarah Davidson

SENIOR ASSISTANT CLERK:

Callum Thomson

ASSISTANT CLERK:

Mark MacPherson

Scottish Parliament

Finance Committee

Tuesday 2 November 1999

(Morning)

[THE CONVENER *opened the meeting at 09:48*]

Public Finance and Accountability (Scotland) Bill: Stage 2

The Convener (Mike Watson): I call the meeting to order. This is an exciting and historic occasion—it is the first time that a committee of the Scottish Parliament has taken stage 2 of a bill.

Because of the general lack of familiarity with the procedures, I will make an explanatory statement.

Today, we are considering stage 2 of part 1 of the Public Finance and Accountability (Scotland) Bill. It is a pleasure to welcome the Minister for Finance, Mr Jack McConnell.

Members should have before them the bill, the marshalled list of amendments and my suggested groupings of amendments. It might be helpful if I explain the purposes of the documents and the way in which this morning's debate will be conducted. If members have any questions, I will take them at the end. If I cannot answer your questions, Sarah Davidson, the committee clerk, will do so.

Copies of the grouping list and the marshalled list have been placed on members' desks. Amendments have been grouped to allow a debate to take place on related amendments. The grouping is designed to eliminate repetition in debate and to allow members of the committee maximum choice. Nevertheless, all amendments must be called in turn from the marshalled list and will be disposed of in that order. It is important to state that the committee cannot move backwards in the marshalled list.

You will note that only the amendments to part 1 of the bill are grouped. That is because the grouping of the other amendments is the responsibility of the Audit Committee.

There will be one debate on each of the nine groups of amendments. I will call the proposer of the first amendment in the group, who should end his speech by moving the amendment. I will then call other members to speak, including the proposers of all the other amendments in the group. Members should not move their

amendments at that stage. Any other member of the Scottish Parliament who wants to participate in any debate should indicate a wish to do so in the usual manner. I should point out that the minister is here to move amendments lodged in his name and to respond to amendments lodged by others. It would not be appropriate for members to put questions directly to the minister, although I am sure that he will do his best to address points that have been raised in the debate.

At the end of the debate on each group, I will clarify whether the member who moved the amendment still wants to press it to a decision. If he does not, he may seek the leave of the committee to withdraw it. If it is not withdrawn, I will put the question on that first amendment to the group by saying, "The question is, that amendment x be agreed to. Are we all agreed?" Members should reply appropriately and, if any member disagrees, we will proceed to a division by a show of hands. In that event, it is important that members keep their hands clearly raised until the clerk indicates that she has recorded the result.

I remind you that only members of the committee may vote, although any member of the Parliament may lodge, move and speak to any amendment.

Following a decision on an amendment, we will either move on to the next group or, if the next amendment on the marshalled list has already been debated, I will call the member who has proposed it to move it, if he so wishes, but he should not make a speech. There will be no further debate and I will immediately put the question.

With any amendment, whether or not it is the first in a group, it is open to the member who proposed it not to move it when it is called by saying, "not moved".

I remind you that, as well as disposing of amendments, the committee is required to decide whether to agree to each section and schedule of the bill. I will put the question on each question or schedule when it is reached. The only way in which it is permitted to oppose agreement to a section is by lodging an amendment to leave out the entire section. No such amendments have been lodged so far, but if any member wants to oppose the question that a section or schedule be agreed to, they will have the option to propose a manuscript amendment to leave it out when we reach that point in the proceedings. If that happens, it is my decision whether to allow the amendment to be taken.

Before I put the question on any section or schedule, I will be happy to allow a short debate on the section or schedule. That might be useful to allow discussion on matters not raised in relation

to amendments.

Since there has been no decision of the Parliament on the order of consideration, I propose that the order in which we consider the sections and schedules of part 1 should be the normal order. We will take the sections in the order in which they appear in the bill, and take any amendments that relate to a schedule after we have considered the section that introduces that schedule.

Are we agreed that that should be the procedure?

Members indicated agreement.

Section 1

USE OF RESOURCES

The Convener: The first amendment is amendment 5, which I invite the minister to move. He can take this opportunity to speak to amendment 7, but he should not move it at this stage.

The Minister for Finance (Mr Jack McConnell): That was my understanding—I was about to ask if my interpretation was correct. I will move amendment 5 and speak to amendment 7.

These are technical amendments. The intention is to provide for the possibility of separate parliamentary controls on different categories of expenditure. In particular, along with the provisions proposed by amendment 6, the amendments provide for separate controls on resource consumption funded directly from the Scottish consolidated fund and on those funded by accruing resources, such as income and the proceeds from the realisation of assets. The amendments provide the option of allowing certain activities to operate without a fixed resource limit because, by using the word “any”, the Parliament can opt to refrain from setting a limit on certain narrowly defined categories of expenditure.

The intention is that most expenditure that is funded by accruing resources would be subject to limits. In certain clearly defined cases, however, it might be preferable to operate without a limit. An example might be European-funded projects where any increase in expenditure funded by the Scottish Executive is met by an increase in resources from the European Union. Another example is VAT expenditure, which will be refunded in due course.

Amendment 5 deals with the annual limits to be set in a budget act. Amendment 7 covers the limits to be used when no budget act has been agreed at the start of the new financial year. Amendment 7 is consequential on amendment 5 and recognises that temporary expenditure authorisation might need to reflect the fact that

spending in the previous financial year was subject to more than one limit or no limit at all.

The amendments, while technical, improve the process of accountability and give Parliament more of a role in the authorisation of specific sums. They would allow a specific limit to be set on authorisation where there are wide-ranging categories of expenditure but, where the Parliament so decided, in certain clearly defined cases, they would allow a more flexible limit to be set that would allow programmes to be completed without further authorisation.

I move amendment 5.

Amendment 5 agreed to.

The Convener: I invite the minister to move amendment 6.

Mr McConnell: This is another technical amendment, based on similar principles.

I have already mentioned the need to provide for the possibility of separate parliamentary controls on resource consumption funded directly from the Scottish consolidated fund and on that funded by accruing resources.

The bill, as drafted, would require activities funded by accruing resources to be subject to global expenditure limits set by the Parliament. We have concluded that it would be better if budget bills set limits on resource consumption to be supported directly from the Scottish consolidated fund and applied separate controls on expenditure to be funded from accruing resources.

The amendment uses the term “accruing resources” rather than “income” deliberately because we need to use a term that is sufficiently wide to reflect not only income generated by the Scottish Administration, but changes in income caused by, for example, a realisation of assets.

The purpose of the amendment is to improve the Executive’s accountability and the Parliament’s ability to authorise expenditure. If we simply had authorisation for the net budget of the Administration, what was being authorised in relation to accruing resources would not always be clear. We believe that it is important that Parliament clearly authorises the net budget limits, the accruing resources and the purposes to which they might be put.

I move amendment 6.

Amendment 6 agreed to.

Section 1, as amended, agreed to.

Section 2

EMERGENCY ARRANGEMENTS

The Convener: Amendment 7 has already been

debated.

Mr McConnell: I move amendment 7.

Amendment 7 agreed to.

Section 2, as amended, agreed to.

Section 3

CONTINGENCIES

10:00

The Convener: We now move to section 3 and to amendments 21 and 22, which are grouped. I shall speak to amendment 21 and then move it. Mr Raffan will then speak to amendment 22 but will not move it at this stage.

I should point out that, in moving amendment 21, I am speaking on behalf of the Finance Committee, which agreed last week to lodge this amendment. The figure of £50 million is stated in the bill in connection with the authorisation of the use of resources by Scottish ministers. Members of the committee felt that it was better not to have a specific figure in primary legislation and, after some debate, we considered mechanisms for achieving an alternative. We felt that we should accept the figure of £50 million as it stands and have that figure uprated at 1999 values. The committee accepted that the proposed amendment would provide the ability to move forward at the equivalent base rate. On that basis, I move amendment 21.

Mr Raffan, would you like to speak to amendment 22?

Mr Keith Raffan (Mid Scotland and Fife) (LD): I agree with a lot of what you have just said, Mike. I have a natural aversion to figures or amounts in bills because they can be eroded by inflation and are therefore subject to amendment in the short term, never mind the long term. My reason for lodging this amendment is that I think that to put in a percentage, which was discussed by the committee at previous meetings, is simpler and safer. My amendment is simpler than the one that you have moved on behalf of the Finance Committee. The percentage proposed in my amendment is easier to calculate and more user friendly.

Technically, the figure of £50 million would have an equivalent percentage of 0.3 repeater. I have uprated that percentage slightly because of my natural generosity and because I think that it is safer to round the figure up to 0.5 per cent, which is equivalent to a sum of almost £70 million. As members will recall from briefings, the figure of £50 million is arbitrary. It may not have been plucked out of the sky, but it is arbitrary. It is the sum that has been identified as roughly what is

needed. With my natural generosity towards the Minister for Finance, and knowing all the difficulties that he faces, I thought that it would be safer to round the figure up to 0.5 per cent.

My basic reason for lodging this amendment is that I think that it is simpler, easier to calculate and more user friendly.

The Convener: Thank you, Mr Raffan. You will certainly be high up in the minister's Christmas card list after offering him greater authorisation.

Do members want to debate amendments 21 and 22?

Dr Richard Simpson (Ochil) (Lab): As the member who originally raised this question, I think that either of the amendments would be acceptable. The general principle is the important one: we should not have in primary legislation figures that will become out of date and require amendment at some time in the future. I hope that the minister will accept that principle, whichever amendment we decide to accept.

On reflection, it seems to me that Mr Raffan's amendment would be better, not because of its generosity but because of its simplicity. Otherwise, we would have to think about the retail prices index every year and try to work back to the original £50 million. I therefore support Mr Raffan's amendment.

Mr John Swinney (North Tayside) (SNP): At the risk of falling off the minister's Christmas card list, I support amendment 21. We spent a great deal of time during our informal discussions knocking around where the figure of £50 million had come from. In the absence of a sophisticated methodology for arriving at that figure, I would rather err on the side of caution and say that, if the Executive believes £50 million to be the appropriate figure in the current financial context, we should stick with that. The formula in amendment 21 allows us to do that.

I acknowledge Richard Simpson's comment about always having to look at the retail prices index, but the RPI gives us an established and fairly clear formula for considering such issues. I therefore endorse amendment 21.

Mr David Davidson (North-East Scotland) (Con): I also endorse your amendment, convener. The committee discussed the matter at length and the record is quite plainly there to see. I understand where Mr Raffan is coming from, but other agencies in Government circles follow the RPI guidelines and, as we discussed fully, there is no need for us to move away from that.

Mr McConnell: In such amiable surroundings, I do not want to say anything that would prompt a headline in *The Scotsman* tomorrow reading, "Committee split on key amendment," so I shall try

to be helpful.

I support the principle that is being proposed by the committee and I am happy to consider amending the bill in that way. I think that there may be problems with both amendments. The RPI is published monthly but, if we are to use an index, it may not be the best index to use. If we went down the route of uprating the figure based on an index, it would make sense to spend some time considering what index would be best.

I am more inclined to the idea of a percentage, but my mind is not closed to the idea of using an index and I would like to give that option further consideration. If we used a percentage, there would be a problem with Mr Raffan's amendment because I do not think that there is a specific overall cash authorisation in the bill as it stands. The terminology may therefore have to be changed.

If the committee will allow me to do so, I would welcome the opportunity to consult the convener and members of the committee and perhaps come back with a Government amendment at stage 3. An amendment to make the proposed change for an annual uprating of some kind—by way of a percentage or in relation to an index—could be inserted into the bill with the Government's support. If that could be agreed, I would be happy to co-operate with the convener in trying to reach consensus on the matter between now and stage 3.

The Convener: Thank you, minister.

As I have moved amendment 21, I ask the committee whether, in light of the minister's remarks, it agrees that I should withdraw that amendment pending the emergence of a Government amendment at stage 3 along the lines that the minister has suggested. Are members agreed?

Members indicated agreement.

Andrew Wilson (Central Scotland) (SNP): If that is the committee's view, I am happy to go along with it. I want to point out, however, that the RPI is used across most of the public sector to uprate such things as pensions. I understand where the minister is coming from, but perhaps we could have a discussion about that in committee before stage 3. Would it be possible to feed back our views on that before a formal Government amendment is lodged? Could we do that through the clerks?

The Convener: That would be fine.

Amendment 21, by agreement, withdrawn.

Amendment 22 not moved.

The Convener: We now move on to amendments 8, 9 and 10. I call Mr Brian Adam to

speak to all three amendments but to move only amendment 8 at this stage.

Brian Adam (North-East Scotland) (SNP): The intention of amendments 8, 9 and 10 is to effect greater accountability of the Administration to the Parliament. Unlike some of his colleagues who have come from elsewhere, the Minister for Finance has not been guilty, as far as I am aware, of continuing the practice of making announcements about significant changes outwith the Parliament. Amendments 8, 9 and 10 propose that all financial changes should come to the Parliament in the first instance.

The effect of deleting "Where" and inserting "Before", and the consequential changes proposed by amendments 9 and 10, should be to make the minister accountable to Parliament. It would be up to the Parliament to decide where matters should then be dealt with, whether in Parliament itself or in committees. There are recesses from time to time, but it is quite possible to recall the Finance Committee, or some other suitable body, during a recess. I move amendment 8.

The Convener: Are there any comments on amendments 8, 9 and 10?

Mr Raffan: I have heard what Brian has said and I share his concern about the phrase "as soon as possible", but I am not sure about replacing "Where" with "Before". I think that that would tie the minister's hands to too great an extent, particularly in view of all the exigencies of parliamentary business and the difficulty of bringing things before Parliament at short notice. I have reservations about replacing "Where" with "Before", but I am concerned about the phrase "as soon as possible", which is open to virtually any interpretation. In view of the length of time that the Executive takes to reply to parliamentary correspondence, "as soon as possible" could mean anything up to three months.

Dr Simpson: I would like to speak against this amendment. There will be circumstances in which the Executive must act speedily and it would be inappropriate for it not to do so. I am thinking particularly of cases such as Lockerbie and Dunblane, which I was involved in myself, where immediate action is needed. Were such a catastrophe to occur during a recess, the problems that would be created by this amendment would be substantial. I therefore regard amendments 8, 9 and 10 as inappropriate.

Mr Kenneth Macintosh (Eastwood) (Lab): I understand why Mr Adam is moving this amendment, but I also have some reservations about it. There is a tension between the Government's power to govern and ours to be consulted and to approve. In this case, there is no question that we will be consulted, but I do not

think that we should tie anyone's hands. I do not think that the bill gives the Government the freedom to abuse their authority or their power. There are plenty of powers in the bill that we can exercise over the Government and over the minister.

Mr Davidson: I agree with what Richard Simpson said about the need for speed. Like Mr Adam and Mr Raffan, I am concerned that the accounting process and the reporting process should be stiffened somewhat, but the minister and the Government must have some flexibility in emergencies. My concern is about how we can tidy up the reporting process.

Mr Swinney: A principle that underpins the bill is that the Executive must seek the authority of Parliament for its budget acts and public expenditure provisions. The amendments fit in with that principle. There is a requirement for the authority of Parliament to be sought for major aspects of public expenditure.

The Government's ability to respond to emergencies such as the tragedies at Lockerbie and Dunblane within the time scale that is envisaged would not, in my view, be compromised if amendments 8, 9 and 10 were carried. We need to maintain effective parliamentary scrutiny of changes—fairly major changes—to the tune of up to £50 million in the allocation of public expenditure. Parliament would be able to examine, debate and approve changes to the public expenditure settlement.

It is reasonable to argue for the maintenance of an important part of parliamentary accountability when, in other aspects of the bill, we have managed to put in place a range of other provisions that guarantee the role of Parliament and the Executive's obligation to take the views of Parliament into account.

10:15

Mr McConnell: As I think Mr Adam might suspect, I am not, in principle, unhappy with the maximum amount of control and accountability being established in this bill and elsewhere. However, given the situation with parliamentary recesses, his amendment might not always work in practice.

I respectfully suggest that a better way of dealing with this might be to amend the draft written understanding, which the committee saw last week, in a way that deals with some of the issues being raised without needing to be too specific in statute. For example, I would be happy to amend the draft written understanding to say that it is expected that the Executive will notify Parliament either before any decision of this sort is taken or on the first sitting day thereafter, or words

to that effect.

I would be happy to give that as a firm undertaking to the committee and accept amendments to the written understanding on that basis. That would deal with the issue of prior notification, which I consider important in principle, although it might not always be possible. I say prior, but if the notification is not prior, it should at least be immediate on the first day the clerk's office is open thereafter. It should not be impossible for any minister to do that, given that the minister will presumably have based any decision on written advice from officials which could subsequently be converted into a notification to Parliament. I happily give that assurance.

I also draw to the committee's attention to the fact that in the draft—which is a very initial draft—of the understandings that was circulated last week, there was a commitment that ministers would lay a report before Parliament at least 14 calendar days before actually spending the money. If a decision has been made but the money has not yet been spent, Parliament at least has some time to make observations.

I highlight those two points and, on that basis, recommend that the committee does not accept the amendment. If we discuss written understandings between now and stage 3, and individual members are still unhappy, it would be possible to have a further debate in the chamber.

Mr Swinney: The issues of the amendment are for Brain Adam, but I would like to make a point about the minister's comments on the written understandings, which get to the nub of what we are feeling our way towards at this stage of the bill, and which relate to what we said last week about the written understandings.

I welcome the tone and content of what the minister said about written understandings. I take from his comments a desire on his part that the committee should be comfortable with the contents of the written understandings. However, we are addressing the issues at a very formal stage of the bill and we are potentially giving up our ability to change the legislation at this stage on the proviso that the written understandings will give us comfort at a later stage. I am quite happy to do that, provided that a number of our concerns about the written understandings are taken on board by the Executive and that we can see a positive response to the issues that the committee has raised.

The Convener: I note your remarks, Mr Swinney, but that is not something that we can take into account in the debate on this amendment or progress at this stage. The committee's views last week were recorded, but at the moment we have to stick to amendment 8.

Mr Adam, do you wish to press your amendment?

Brian Adam: Am I right in saying that I am not allowed to respond to the minister's comments?

The Convener: No—you may reply to the debate.

Brian Adam: I appreciate the minister's willingness to recognise that there are issues to be discussed—he recognised that at stage 1. My amendment was an attempt to address those issues specifically. I hear some committee members saying that it is perhaps too restrictive, but there are some concerns about memorandums of understanding, because there may be misunderstandings. If something is in legislation, it has to be adhered to.

I appreciate that the draft of the understandings is not yet agreed so, through a wish to let things go forward, I will withdraw the amendment and give the minister the opportunity to make amendments to the understandings. I therefore ask leave to withdraw the amendment.

Amendment 8, by agreement, withdrawn.

Amendments 9 and 10 not moved.

Section 3 agreed to.

After Section 3

SOURCES OF FUNDS

The Convener: We now come to amendment 11.

Brian Adam: For some time, and even since before this Parliament came into being, I have been concerned about a lack of clarity in some Government announcements about the sources of finance. Such announcements tend to take place from this time of year through to the spring.

Efficiency savings are sought—of 1 per cent from the further education colleges budget and of 3 per cent from the health trusts budget, for example. There have also been planned returns on capital, some of which have been specified in respect of the Keeper of the Registers of Scotland, if I have the right technical term. A 6 per cent return on the capital invested is sought; I believe that it is the same in the health service. However, even for savings that have been planned, it is not always clear when moneys that have been saved or otherwise returned to the consolidated fund are being spent again. It is not always clear that they are just recycled moneys from the same year.

The purpose of this amendment is to make it clear that the money is not new but is simply efficiency savings and so on being returned. It aims to make the process as open as possible and to let the public know the source of the funds.

I move amendment 11.

Andrew Wilson: I support Brian's point of view—there can be no reasonable disagreement with more information being provided at the time of a budget. In the recent budget announcements, significant changes were made to previous announcements. Parliamentary questions were lodged. We are awaiting the answers because of the pressure on finance officials, which is understandable, but it can be six or seven weeks after an announcement is made before the public is aware of the sources of money. It is difficult to see how an argument could be constructed against something that improves clarity and improves the scrutiny of budget legislation and budget bills.

Mr McConnell: It would be wrong to amend the bill because of financial statements that are made to Parliament at times other than during the passing of a budget bill. Taking account of comments from MSPs and the public, I always want to improve the information we provide to Parliament about any regular financial statements. However, that is not the same as specifying in a budget bill the information that should really be in supporting documentation. The supporting documentation should be as clear as possible, not only for MSPs, for ministers—to establish clearly what they are being authorised to spend—and for programme managers, but for those who watch us from outside the chamber. What we are agreeing and the information on which it is based should be very clear. We are attempting to make strides in that direction and to improve the way things are dealt with in other places. I hope that we can continue to do that and prove that we can do it well.

It would be wrong to set a precedent for bills containing supporting documentation. The purpose of the budget bill is to give express authorisation for the use of resources; it is not to explain the use of those resources or where they come from. That is the purpose of supporting documentation, which is why we want a firm understanding with the Parliament about what is expected of us in producing that documentation and about what is expected of the Parliament when dealing with it. Those are important understandings. We are involved in dialogue on how to ensure that that information is as effective as possible. I hope that members will agree that supporting documentation, rather than statute, is the right place for such information to exist.

It is important for the committee to remember that if the Parliament is not happy with the supporting documentation that goes with a budget bill, it can hold up the bill—either to demand more information or to move against provisions in the bill or the bill as a whole.

Ultimately, the matter is in the hands of Parliament and under its control. Apart from contingency provisions, no money will be spent without the authority of Parliament. The controls exist. If the Executive is not providing enough or sufficiently clear supporting documentation, or if the documentation is deficient in any way, it is possible to raise that in the Parliament or in the committees that are scrutinising the bill.

To summarise, we in the Executive are committed to ensuring that the supporting documentation is full. We are committed to ensuring that that is part of a written understanding with this committee and with Parliament. If that written understanding is not sufficient for you or for Parliament, you can turn it down and insist that it be amended. It is your right to do so. That is a better option than including supporting documentation in bills that are there to authorise expenditure. Members should be reminded that it is possible for Parliament to withhold support for the budget bill if it feels that the supporting documentation is not satisfactory.

I hope that that reassures committee members. I understand Mr Adam's desire to raise the issue and I understand exactly where he is coming from in doing so. We are going through the first budget process and I hope that we will have the opportunity to test out the systems. Those systems can subsequently be improved, using the good will that I think is essential and by addressing the principles that were adopted by the financial issues advisory group and have been adopted by this committee, by the Executive and by Parliament.

Mr Raffan: I tend to support the minister's point of view, although I have some sympathy for Brian's points. It is incredibly important that all documentation supporting a budget be clear, simple and user friendly. I do not think that it is at the moment. Bearing in mind the FIAG report's injunction on us that public spending and the budget itself should go out to public consultation, it is very important that information is easy to understand.

Although I know that the Scottish Executive will always be straightforward with us, we hope that it will not follow the unfortunate example that has been set by the current United Kingdom Government of making wild claims for spending that is based on recycled money multiplied over three years. It is never clear whether it is referring to year-on-year spending, whether inflation is taken into account, or whatever. If this committee is to its job efficiently, we must have figures that are clear, simple and easy to understand.

Dr Simpson: If my understanding is correct and the minister is saying that in presenting supporting documentation there will be an undertaking to be

clear about savings, efficiency savings and reallocations, I would find that acceptable. There is a considerable lack of clarity, at level 2 at least, in the supply estimates, which we are not discussing today.

Mr Swinney: Imagine what it would be like at level 4.

Dr Simpson: While I accept the minister's view, there is considerable work to be done to achieve the clarity that will be of comfort to the committee.

10:30

Mr Davidson: We have to follow the theme the committee has discussed at length: how much detail we receive to do our job properly for the Parliament and Scotland. I have sympathy with Mr Adam's position. I also have sympathy with the minister's comments. It is unfortunate that today's meeting has not coincided with the fulfilment of the process of dealing with the written understandings. That is possibly where the tensions lie. At some stage in this collective process, we have to stress that information must be laid before the committee in the way it wishes.

Mr Swinney: While listening to Keith Raffan, I found myself wondering why he is not supporting the amendment. Everything he said about the need for us to be certain of the information that has come before us and the importance of the points about recycled money and so on are things that we must sort out once and for all. We have to take on trust a great deal of what will emerge in the written understandings. I feel that, in the weeks to come, I will end up having a discussion in which we will not reach agreement about some aspects of the written understandings because there are some points of genuine disagreement about the content of information that we should be seeking—

The Convener: John, you are straying into that territory again: please confine yourself to the amendment.

Mr Swinney: I do not want to be in any way disrespectful to your position in the chair, convener, but the minister referred to the memorandum of understanding and to the fact that the points about information will be tied up with it. I am expressing unease—I am having to say that we will put off the discussion until the written understandings come back.

The minister remarked that Parliament is supreme about such issues and can block a budget bill if it does not approve its contents. I find that particularly bad government. If we got into terrible impasses with days to go—during which the budget bill might be lost—that would be a failure of our legislative process and structure. We must ensure that we put in place enough checks

and balances and points about information on which we can achieve comfort. That would prevent a budget bill being blocked because the Government had not provided the information we require.

I mean him no disrespect, but the minister may be succeeded by somebody who does not have quite the same willingness to be open to the committee. We could be in a very difficult situation: the legislative process we are now constructing might let the Parliament down at a later stage in the process. That is why it is important to clarify, with amendment 11, a totally reasonable point of view that the committee has already debated at length during its short life and which would assist the structure of the process.

Mr McConnell: I am keen to assure the committee about the written understandings. We want to provide as much information as we can and to be as transparent as possible. We want to be at least close to agreement on them before the bill is finalised in December.

I want to respond briefly to the points that the committee made, I presume last Tuesday, but I think that amendment 11 is wrong in principle. I am not opposed to the amendment just because I have given assurances that I will do what it stipulates by other means. The written understanding takes into account the fact that we are not always dealing with the same individuals in ministerial positions or in committees. It is important to have consistency in both directions. That is where the written understandings could be useful.

The purpose of the annual budget bill and act will be to authorise the use of expenditure, not to explain the various pockets from where that expenditure may have come. The purpose of the supporting documentation is to explain that expenditure. That is an important distinction. I think that we are doing the right thing in proposing that a budget bill and act would authorise expenditure. That would be a legislative process.

The supporting documentation should not be something that the Executive provides on a whim; it should be the subject of a written understanding between the Executive and Parliament, on the same principle that the budget bill is a parliamentary process, not an Executive diktat.

I am keen to make the point that amendment 11 would be using the bill for the wrong purposes, not just superseding what I think should be done better in another way.

Brian Adam: I was certainly interested to—

Mr Swinney: Sorry, convener: are we concluding the debate on amendment 11 at this stage?

The Convener: We are concluding it when Mr Adam speaks, so if you want to come in again, Mr Swinney, please do so now.

Mr Swinney: Thank you, convener.

I am confused about what the minister has just said. If I have interpreted him correctly, he said that he does not want us to be on the receiving end of commitments about what is likely to be in the written understandings. If that is the case, it colours substantially my judgement about what is being proposed in the amendment. If amendment 11 is not passed, how would the minister plan to address the issues concerned with—

The Convener: John, seeking clarification from the minister is not really the function of this amendment. He has made two contributions to the debate on amendment 11. As I said at the start, this is not a question and answer session with the minister. I think that the minister has made his position relatively clear, and we have to make our minds up on that basis. I do not want this to become a dialogue, and unless anyone else wants to speak, I want to go to Brian Adam at this point.

Brian Adam: I regret to say that I cannot accept the view that the minister has offered, either as an alternative or as an explanation. I find the idea that the supporting documentation is the place where information such as is specified in my amendment would be most appropriately put not exactly satisfactory—the information will be separate and it will not necessarily be available immediately. The headline figures would be available—not that Mr McConnell would be in any way wish merely to use headlines.

The advantage of the amendment is its simplicity. It insists that the source of funds is given. If we are to have accounts and budgets that are immediately accessible to the lay person, let alone to the professionals, having information on the source of funds in the bill would be a significant advantage. Having it in secondary, supporting documentation, which may or may not be available at the same time, is less than satisfactory. The place to address that is in the bill—in the act and in any subordinate legislation—itsself, rather than in supporting documentation.

The Convener: Is amendment 11 agreed to?

Members: No.

The Convener: There will be a division.

Andrew Wilson: Should not Brian vote as well? [*Laughter.*]

The Convener: No. Brian is not a member of the committee and does not have a vote.

FOR

Sw inney, Mr John (North Tayside) (SNP)
Wilson, Andrew (Central Scotland) (SNP)

AGAINST

Davidson, Mr David (North-East Scotland) (Con)
 Grant, Rhoda (Highlands and Islands) (Lab)
 Lyon, George (Argyll and Bute) (LD)
 Macintosh, Mr Kenneth (Eastwood) (Lab)
 Raffan, Mr Keith (Mid Scotland and Fife) (LD)
 Simpson, Dr Richard (Ochil) (Lab)
 Thomson, Elaine (Aberdeen North) (Lab)
 Watson, Mike (Glasgow Cathcart) (Lab)

The Convener: The result of the division is as follows: For 2, Against 8.

Amendment 11 disagreed to.

Section 4

PAYMENTS OUT OF THE SCOTTISH CONSOLIDATED FUND

The Convener: Does anyone wish to comment on section 4 before I put the question on it?

Mr Swinney: Should it not be section 3?

Dr Simpson: Should it be section 3? The amendment comes after section 3.

The Convener: No. We have dealt with section 3 already. Amendment 11 would have added a new section after section 3.

Section 4 agreed to.

After Section 4

UNDERSPENDS IN OVERALL CASH AUTHORISATION

The Convener: I shall invite Mr Adam to move amendment 12 in just second, but first I ask members to note that it would appear after section 4, if it were agreed to.

Brian Adam: We are moving towards being able to move money forward from one year to another, which is a significant advantage. Amendment 12 takes account of that, but tries to set limits. We are not seeking deliberately to underspend—or possibly overspend, but the amendment deals with underspend—to a significant extent. The amendment represents a tidying-up exercise, which seems to have been omitted.

I arrived at the figure of 2 per cent on the basis that it is a little more generous than the figure by which we appear to underspend regularly on the Scottish consolidated fund, which equates to, I gather, between £150 million and £200 million a year; 2 per cent would give us £280 million or perhaps £300 million a year. I felt that the amendment allowed us to arrive at a sensible figure and more flexibility, which I think is the object of the resource account budgeting exercise.

We would not be forced into spending money at the end of the year for the sake of spending money, but could have planned expenditure with the greater flexibility that the 2 per cent would

allow as opposed to the 1 or 1.5 per cent that would be the normal turnover. I am not, however, absolutely thrilled to the figure, if the minister wants to come back with a minor adjustment.

I move amendment 12.

Mr McConnell: Again I have some sympathy with what Mr Adam has said, with the general idea that the Parliament should be aware of money that has been carried forward and with the idea that that should be as transparent as possible.

There are two significant problems with amendment 12. First, it would encourage spending that is not necessarily needed. I am keen that there should be end-of-year flexibility, that we should encourage efficiencies and management action that stops spending that is not required towards the end of the year and that we enable spending to be carried forward for appropriate planning, even for two more years if that is in the interests of service or efficiencies in government.

There will be occasions when savings will occur or even be planned, when plans will change or when money will not be needed any more. I think that it would be wrong to insist—as the amendment would do, technically—that the money be spent by the original programme manager.

There are problems with this amendment in principle, although the intention behind it is good and strong and should be encapsulated, perhaps in relation to our previous discussion on the supporting documentation that goes with our decisions and statements throughout the year. It would be wrong almost automatically to compel managers to spend money that had not been spent on previously authorised purposes.

10:45

The other difficulty is that the amendment slightly misunderstands the authorisation of resources. Individual bodies or managers would not receive money from the Scottish consolidated fund and then repay it. I think that the phrase “repaid into the Fund” would cause technical difficulties. Health boards, for example, do not receive money from the consolidated fund and then give it back at the end of the year. The purpose of the budget act is to authorise making a call on the fund, not to hand the cash over on 1 April and hope that it is either all spent or given back at the end of the year.

The amendment is well intentioned, but it is technically wrong. It is also wrong in principle. Members may be aware, from what I said in the financial statement at the beginning of October, that I am keen on end-of-year flexibility and carrying forward savings. However, I am also keen to strike a balance between the right of managers

to make use of that flexibility and the right of the corporate entity to pool resources occasionally, for use on corporate priorities. I think that that is right for the Government, as it would be for any other organisation. Therefore, I would resist any—even implied—compulsion or authorisation for people to spend money without clearly identifying the purposes to which it would be put.

The Convener: Are there any other comments on that?

Brian Adam: I am grateful to the minister for his technical explanations. I am not grateful to him for failing to give me comfort in terms of anything other than the famous memorandum of understanding. Perhaps understandably, I have a little less faith in memorandums of understanding than the minister. However, given his explanation, I will not pursue the amendment now. I look forward to seeing what the memorandum of understanding says on the point.

I ask leave to withdraw the amendment.

Amendment 12, by agreement, withdrawn.

Sections 5 and 6 agreed to.

Section 7

APPLICATION OF RECEIPTS

The Convener: I invite the minister to move amendment 13.

Mr McConnell: This is a technical amendment that we have lodged for specific reasons. We concluded that the previous draft left room for doubt on certain aspects of the provisions. The revised version clarifies that any receipts used to fund expenditure will not impact on the overall cash authorisation that is set in a budget act under section 4(4) of the bill. The amendment also ensures that the receipts that are referred to are not simply those arising from income for services, but relate to the issue of the realisation of assets.

The section provides that funds generated by an authorised use of accruing resources may be used to support any authorised expenditure in the financial year—or in any year thereafter, if immediate expenditure is not possible—as long as that use of the accruing resources was first authorised by a budget act. Managers will not be required to pay receipts into the Scottish consolidated fund if they are authorised by this section to apply them.

The previous wording of section 7 had the potential for confusion. The result might have been that although managers had been authorised to spend on the basis of receipts, the expenditure and receipts would count against the net budget as authorised by other means. To some extent, this clarification—although not identical or directly

linked—is trying to achieve the same ends as the previous Government amendments. We want to make it absolutely clear that where authorisation has been given for expenditure, based on accruing resources, it is separate from the net expenditure approvals that have been given elsewhere.

I hope that that is clearer to the committee than it was to me a week ago. I would welcome the committee's acceptance of the amendment, which improves transparency and accountability. However technically complex the amendment may be, it is important that the outcome is clear. The amendment will result in a clearer outcome to the budget bill and the authority of Parliament will be enacted without confusion.

I move amendment 13.

Amendment 13 agreed to.

Section 7, as amended, agreed to.

Section 8 agreed to.

Schedule 1

BORROWING BY CERTAIN STATUTORY BODIES

Mr McConnell: Amendment 14 is minor and technical. As drafted, the bill seeks to repeal subsection 7(7) of the Housing (Scotland) Act 1988. As a consequence of the Scotland Act 1998, that section has already been repealed. The amendment would delete the proposal to repeal something that no longer exists.

The Convener: On that basis, I am sure that amendment 14 will be agreed to.

Amendment 14 agreed to.

Schedule 1, as amended, agreed to.

Section 9

KEEPER OF THE REGISTERS OF SCOTLAND: FINANCIAL ARRANGEMENTS

Mr McConnell: Amendment 15 is also of a minor, technical nature. The amendment caters for the salary and related expenses of the Keeper of the Registers of Scotland. We intend that all staff costs relating to the Registers of Scotland should be met by the agency through trading profits, but the Scotland Act 1998 requires those costs to be paid from the Scottish consolidated fund by the Scottish ministers. It is therefore necessary to ensure that the Registers of Scotland repays any expenditure on its staff costs that are made from the fund. The original draft of the bill does not provide such arrangements for costs relating to the keeper—it covers only the staff—and amendment 15 corrects that omission.

I thank the committee for the clear and helpful way in which it has dealt with the amendments.

I move amendment 15.

Amendment 15 agreed to.

Section 9, as amended, agreed to.

The Convener: Thank you. That completes our stage 2 consideration of amendments to part 1 of the Finance and Accountability (Scotland) Bill.

I thank the minister and members of the committee for their attendance.

Meeting closed at 10:53.

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