

# **FINANCE COMMITTEE**

Tuesday 7 December 1999  
*(Morning)*

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### FINANCE COMMITTEE

#### 9<sup>th</sup> 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

##### COMMITTEE CLERK:

Sarah Davidson

##### SENIOR ASSISTANT CLERK:

Callum Thomson

##### ASSISTANT CLERK:

Mark MacPherson



## Scottish Parliament

### Finance Committee

*Tuesday 7 December 1999*

*(Morning)*

[THE CONVENER *opened the meeting at 09:49*]

**The Convener (Mike Watson):** I call the ninth meeting of the Finance Committee to order with the usual warning about mobile phones and pagers. I have to apologise in advance for my rather rough throat; I hope that it will not affect my thought processes, but that is for you to decide.

**Mr John Swinney (North Tayside) (SNP):** You have something in common with me then, convener.

**The Convener:** Who would have thought it?

Dr Richard Simpson and George Lyon have submitted apologies. George has had difficulty in getting to the committee because of ferries.

Committee members will have seen the agenda and the attached paperwork. We are required to consider provisions of two Scottish Executive bills, the Adults with Incapacity (Scotland) Bill and the Abolition of Feudal Tenure etc (Scotland) Bill. Committee members have received copies of the bills and the accompanying memorandums. The committee's role is to examine the financial memorandum and considerations in terms of an increase in existing expenditure.

### Adults with Incapacity (Scotland) Bill

**The Convener:** Before I open up the meeting to discussion on the Adults with Incapacity (Scotland) Bill, I have to tell the committee that there is an error in paragraph 405 on page 56 of the explanatory notes for the bill. The pound signs are misprints and the figures refer to the number of cases, not the costs.

**Mr Swinney:** Which paragraph?

**The Convener:** Paragraph 405 on page 56. The figures in the list beginning

"Registration of continuing and welfare powers of attorney"

have pound signs attached to them, when in fact they refer to the estimated annual number of cases for each category.

The Justice and Home Affairs Committee has commented on the financial memorandum. It said:

"The Bill gives the Mental Welfare Commission additional functions, and the Executive has provided an estimate of the resulting additional costs (paragraph 420 of the Financial Memorandum). We were surprised to learn, however, that the Commission had not been consulted on what those costs might be . . . That strikes us as a failure in the consultation process."

Does any member wish to comment on this bill?

**Mr David Davidson (North-East Scotland) (Con):** The word "estimated" appears in paragraph after paragraph of the financial memorandum. Has the committee been given any indication of the firmness of the financial prediction?

**The Convener:** No. The only information that we have is contained within the explanatory notes and the financial memorandum. Although it is reasonable to give estimates, we have to decide whether those estimates are themselves reasonable, which, given our lack of specific knowledge of the issues, is not always easy.

**Mr Davidson:** On the legal aid aspect of the bill, has the relevant authority responded in the consultation about the likely costs of the bill?

**The Convener:** I do not know, although I would be surprised if that had not happened.

**Mr Davidson:** My question simply follows up the comment from the Justice and Home Affairs Committee.

**The Convener:** We can certainly follow up the matter. However, I cannot give an answer at the moment.

Andrew, you are looking expectantly.

**Andrew Wilson (Central Scotland) (SNP):** I am just waiting for you.

**The Convener:** Are there any further comments?

**Mr Kenneth Macintosh (Eastwood) (Lab):** The financial memorandum refers several times to costs to local authorities. It recognises that there will be an extra major cost to local government and says that future funding will be adjusted to take account of that. I have concerns about that, because local government is constantly being loaded down with extra statutory duties without being given the extra finance to pay for them. Such extra funding could well disappear into the ether in future local government settlements.

**The Convener:** I will note that point.

**Mr Davidson:** Following Ken Macintosh's point on local government, I am concerned about the costs to the voluntary sector. The bill's provisions seem fine if organisations have a particular contract. The financial memorandum says that the costs will be recoverable, but many of the activities have been undertaken not by contract but on demand. Does that mean that the bill applies only

to those voluntary sector organisations that are involved in contracted operations and that, if those organisations do anything voluntarily, they will have no opportunity to recover costs?

**The Convener:** I note your point about the costs being recoverable; those costs may not only be

“the contract price for the service”

as the financial memorandum states. The voluntary sector may not necessarily be fully able to recover costs. On occasion, certain services may not be required if there are additional costs. As someone with an interest in the voluntary sector, I would also be concerned about that.

We can comment only on the specific costs and not on the principles behind the bill that might give rise to those costs. The committee has to decide whether the estimated costs are reasonable.

**Andrew Wilson:** I suppose that that is the case.

**The Convener:** Notwithstanding various members' comments, are we prepared to accept that the estimated costs are reasonable?

**Members indicated agreement.**

## Abolition of Feudal Tenure etc (Scotland) Bill

**The Convener:** We will move on to consider the Abolition of Feudal Tenure etc (Scotland) Bill. The financial memorandum starts on page 36 of the explanatory notes.

Do committee members have any comments on this bill?

**Mr Swinney:** The financial memorandum for the previous bill was a useful piece of work, but the one for this bill is vaguer and less quantified; it gives little guidance on the conclusions on which we have to decide. Although I am very supportive of the bill, I am concerned about the area of compensation. If the legislation gives rise to any problems, we might find that the demand for and burden of compensation is much greater than we had expected. The contents and format of the bill need to be tight to protect the public purse. The committee has received no guidance on the possible scale of compensation demands, which makes it difficult to arrive at an informed judgment about the contents of the financial memorandum.

10:00

**The Convener:** In fact, the financial memorandum contains no figures at all for projected costs.

**Mr Swinney:** On that point, paragraph 242 of the financial memorandum states:

“It would be a monumental task to search the property registers, the Register of Sasines and the Land Register of Scotland, in order to identify the total number of superiority interests in Scotland.”

That is a fair comment, but it suggests that the issue at stake is large and unquantifiable, so we are not in much of a position to judge it.

**Elaine Thomson (Aberdeen North) (Lab):**

John Swinney is correct that the financial memorandum has not drawn together total numbers, but the feeling that I get on reading paragraphs 237 and 238 is that the financial values involved are small. The final sentence of paragraph 238 talks about the ability to pay compensation by instalments when the total payment is more than £100. The financial values involved seem to be smallish—I suspect that that is why the Executive has been vaguer than it should have been in quantifying total numbers.

**The Convener:** I think that that is right, but the question is whether we believe that some attempt should have been made to estimate the costs, as was done with the Adults with Incapacity (Scotland) Bill and the bill that we looked at before that.

**Mr Davidson:** The figures are vague. The second part of paragraph 242 says that it is

“impossible to anticipate the reaction of these superiors”.

There will be a lot of legal searching, which will not be free; it will be done for residents of tenement blocks as well as for landlords who are going through their portfolios. We will end up with a large number of people making claims, possibly without having done their homework, on the basis that the cost of responding would fall to someone else.

That is relevant if we are to come to a view on the likely cost to the public purse, because in many cases local authorities and other public bodies will be heavily involved. They will definitely be fighting off a number of claims that may not be genuine, but that have a right to be opened up. That will almost certainly affect the budgets of those organisations, because they will have to deal with lots of little, expensive pieces of work. A provisional pot of money should have been provided. Perhaps the Minister for Finance has a value for that pot in his figures somewhere, but we have not got to it yet.

**The Convener:** In addition, legal aid would be available to individuals—it is surprising that no mention is made of that in the memorandum.

**Rhoda Grant (Highlands and Islands) (Lab):**

My feeling is that the numbers involved will be small. At the moment, when property changes hands, the amount of feuduty that is redeemed is tiny. Landlords will not take legal advice to search through all the feuduties that they are owed. That

would probably cost more than the amount of money that they would get. The bill may be working on the assumption that a large number of people will owe a large number of people small amounts of money. It would be different if there were one big landlord who had a lot of properties—for the system to be financially viable, one would need to have a lot of properties before doing the searches and the work that goes with them.

**Mr Macintosh:** Paragraphs 243 states:

“In the case of superiors who have extensive superiority interests, this may involve fairly substantial administrative costs and possibly search fees”.

Paragraph 244 states:

“Any of the costs set out above will apply to any superior”.

That implies that the cost is not recoverable from the compensation. In other words, the memorandum is implying that, because of the cost, there will not be lots of vexatious searches. One gets the impression that the cost would put off virtually everyone.

**Rhoda Grant:** The cost of the search could be more than the money that would be redeemed.

**Mr Macintosh:** Exactly. Moreover, what can be redeemed is limited. That is fairly clear. My interpretation is that there may be hundreds of claims, but not thousands.

**The Convener:** That is right, but the question is what the costs will be to the Scottish Administration and to local authorities. Do we want an attempt to be made to estimate the costs, or are we happy to leave the matter as it is?

**Andrew Wilson:** That takes us back to the discussions that we had when we considered our first financial memorandum, which was similarly unclear. We could return to the comments that we made then. However, when estimates are not provided, I would like to see a table at the start of the memorandum setting out the costs. Even in the memorandum that sets out the cost, no sum figure is given.

It would be nice to see, for each line, what the estimated costs are. If there are no estimated costs, there should be an explanation of why that is the case, so that we are not left to assume, like Elaine Thomson and Rhoda Grant, that the figures are trivial. That is probably correct, but it would be nice to see it in black and white.

**The Convener:** You are talking in terms of the general style of presentation.

**Andrew Wilson:** Yes, because the presentation is not clear. We cannot comment on bills without placing on record our concerns. If this bill were to blow up into a major issue that placed an extra

burden on the public purse, we would be culpable because we allowed it to proceed. When the costs are uncertain, we should be given a band within which the costs are expected to fall. Those suggestions may be helpful; other than that, I do not see what we can add to this issue.

**Mr Macintosh:** I agree with Andrew Wilson. All the documents that we look at have the same problem—they do not have black and white estimates that are easily assimilated. I would love to have those at the beginning of each document, but I suspect that that would be difficult, if not impossible. This financial memorandum shows that one can make an intelligent, but not firm, estimate of the costs. To put a figure at the beginning of the bill would be misleading, because one may as well ask someone in the street to put a figure on the costs—that is how random the figure would be.

**The Convener:** I am not sure that I agree with that.

**Mr Macintosh:** I am overstating the case.

**The Convener:** For effect, perhaps.

**Mr Macintosh:** Possibly. A reasonable attempt has been made to assess the areas that might incur a cost, but it has not been possible for the Executive to provide a hard figure. It would be unreasonable of us to expect it to provide a hard figure.

**The Convener:** We are talking about the provision of an estimate, as in the other two bills that we dealt with.

**Mr Swinney:** I agree with what Ken Macintosh said earlier about the burdens on local authorities. In this case, too, we must have some idea of the figures. We have lots of words, but we do not have a feel as to whether the figures involved are £1 million, £10 million or £40 million. We could have a lottery guess about the sums involved.

We all accept that we cannot have hard and fast, absolute, precise numbers—that is not what Andrew Wilson was asking for. However, some indication of the scale of the figures would give us an idea of the additional cost burdens arising from the legislation that we were allowing to proceed. That applies as much to the legal aid budget or to the cost to the Scottish Administration as it does to local authority budgets.

**The Convener:** Andrew Wilson qualified his suggestion well by saying that an explanation should be given of why no estimates could be made. That would be helpful, not just in terms of our interpreting financial memorandums, but in terms of setting out basic estimates as guidance. We would have to take on board the fact that we could not hold the Scottish Executive to account by saying, “The cost is nearly double what you

estimated," because it could say, "It was only an estimate." However, it would not be impractical to ask the Executive to produce such figures.

**Rhoda Grant:** I do not think that anyone will ever know concrete figures for costs, but my understanding is—and someone from the legal profession may wish to back it up—that when properties change hands, the feuduty is redeemed. The bill allows that to be done for the next two years only; that will not amount to a lot of money.

**The Convener:** This may be one of those occasions on which it is not realistic to provide figures, but the general point is worthy of consideration.

**Mr Davidson:** We have made general comments on the two bills that we have looked at this morning; presumably it will be reported that we felt that we were working in the dark, in one form or another. On Andrew Wilson's point, we need to say that, in future, the Finance Committee expects some sort of estimate and would prefer things to be laid out in a certain way. We could work that out among ourselves. We should finish the meeting with that, if it can be incorporated into the agenda. We cannot do much more with these bills.

**The Convener:** Am I right in thinking that we are endorsing the financial memorandum for the Abolition of Feudal Tenure etc (Scotland) Bill, but that we will recommend that, for future bills, the costs to local authorities, the Scottish Administration and other bodies, as well as any other costs, be laid out section by section, and that the costs be totalled at the start of the memorandum? Is that the agreed position?

**Elaine Thomson:** I have a question for Andrew Wilson. Are we asking for a tabular summary at the front of financial memorandums?

**The Convener:** Yes. When it is not possible to provide such information, as may be the case, there must be an explanation of why not.

**Andrew Wilson:** The information does not need to be in a table, but we should be given a summary of the costs and where the gaps are.

**The Convener:** Are we agreed?

**Members** *indicated agreement.*

## Subordinate Legislation

**The Convener:** We will move on to item 3 on the agenda, which is the Non-Domestic Rating Contributions (Scotland) Amendment Regulations 1999 (SSI 1999/153). A supplementary note was sent to committee members by e-mail. The Local Government Committee is the lead committee,

and I am informed that it has not yet set a date to consider the regulations. We are not obliged to comment on these regulations, but we may wish to do so.

**Mr Macintosh:** Does the supplementary note say simply that the Local Government Committee has not set a date?

**The Convener:** Did you not receive a copy?

**Mr Macintosh:** I am afraid not. I do not have a computer at the moment.

**The Convener:** Of course, it was removed from your home.

**Mr Macintosh:** Yes, it was stolen.

**The Convener:** Does everyone else have a copy of the supplementary note?

**Mr Davidson:** I have it now.

**Mr Macintosh:** Given the three dates that are listed at the top of the first page of the statutory instrument, what is the implication of the Local Government Committee not considering this instrument?

**The Convener:** I do not think that there is any implication; the committee has simply not set a date to consider the regulations. Presumably it must do so before the Christmas recess, which means by 16 December.

We are not obliged to say anything if we do not want to. I am open to the views of committee members. If we want to take more time, we can consider the matter next week.

10:15

**Mr Davidson:** I think that that would be sensible, provided that, in the meantime, the clerks had the opportunity to speak to someone about particular matters that we should be considering.

**Mr Swinney:** One of the points on which I have insisted in the Enterprise and Lifelong Learning Committee is that, where we have a regulation on which we are required to comment, a member of the Executive should be present to answer any specific points. It would be unfair to expect the convener or the clerks to be masters of the regulations. It is for the Executive to explain and answer points about which the committee has concerns.

**The Convener:** That is interesting, because the Executive does not believe that it is obliged to supply a briefing on instruments that are under the negative procedure. As John Swinney will know, the issue of the resources to provide information on statutory instruments was raised at the conveners group. The Executive has been trying



to palm that off on to the Scottish Parliament information centre; the conveners have objected to that. There is a fundamental question about who should provide information—whether it is presented in person or in the form of written guidance.

**Sarah Davidson (Committee Clerk):** The guidance note that was circulated in addition to the standard note that is part of the instrument was compiled in consultation with the Executive; most of the information in the note came from the Executive, although it was drafted by the clerks.

If, having read the guidance note, members have any questions that they want to put directly to the Executive, we could invite someone to come to the next meeting to answer specific questions.

**Andrew Wilson:** Are we bound by standing orders to pass the instrument in a certain time, given that it is to come into force on 31 December?

**Sarah Davidson:** We could consider it next week.

**Mr Swinney:** We must be quite clear about the point of principle that you raised, convener. I hear what Sarah Davidson said about the composition of the guidance note, but it is unreasonable of the Executive to expect parliamentary information staff to—

**The Convener:** Or indeed the committee clerking staff.

**Mr Swinney:** I was coming to them. It is unreasonable of the Executive to expect the staff who have specific responsibility for the committee—for ensuring that our business is properly transacted—to deal with that. It is the Executive that is bringing forward the instruments and it is only reasonable that it provides the background briefing timeously, so that it is not a burden on our clerks.

The Enterprise and Lifelong Learning Committee wrestled with the Thurso College (Change of Name) (Scotland) Order 1999 and I wanted a member of the Executive to be there in case there was a specific question that I would have to pass over in order for the committee to approve the order. No matter how trivial the Scottish statutory instrument, it is only reasonable for the Executive to put the resources in front of the committee, to answer specific points.

**The Convener:** Are you talking about a civil servant?

**Mr Swinney:** Yes. I am not talking about a minister.

**Rhoda Grant:** I agree with what Mr Swinney has said. Other committees have had a member of the Executive present when considering statutory

instruments. If the Executive provides a good explanatory note, we do not need to question the person who is attending the meeting. If we have a couple of weeks, we could consider the instrument in the first week and decide whether we need a further explanation in the second week. The explanatory note is not completely explanatory if we are still in the dark about what is going on. It would be helpful for someone to come and speak to us about it, to whom we could put specific questions. However, in the interests of not wasting someone's time, we should consider the instrument before deciding whether we need further information.

**Mr Macintosh:** I agree with both those comments. In principle, if the Executive wants the instruments to go through, it should be prepared to provide proper explanations—before the committee, if necessary. In the case of the statutory instrument that we are considering today, the explanatory note is not full enough and the guidance note is much more helpful. I do not have any objections to that instrument, but the principle of having an extra week and a right to call a member of the Executive—

**The Convener:** We seem to be talking about principles, rather than about the specific SSI. I was unaware that the burden fell on the clerks to provide extra information—that should not have happened. The committee seems to agree that, in future, it would expect the Executive either to provide a further explanatory note or, should the committee so decide, to provide someone to explain particular aspects of the instrument. Is that generally agreed?

**Members:** Yes

**The Convener:** There is a meeting of the conveners group this afternoon. Perhaps I can pursue the matter, which was raised at our previous meeting—it seemed to have broad support the last time that it was discussed. In the meantime, we will wave through the Non-Domestic Rating Contributions (Scotland) Amendment Regulations 1999.

## Annual Budget Process

**The Convener:** We have had two briefing papers on items 4 and 5. We will begin with item 4, on the annual budget process. Members will have seen the paper, which sets out a proposal for a framework to involve the subject committees. It seems to be fairly clear and logical. Do members wish to make any comments? What about the proposal that the committee might want to consider appointing reporters at stage 1? That would be a burden to us as individuals, but it is an important part of the process.

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

I am happy with the idea of reporters, although I am worried about other aspects of the paper. At stage 1, when the subject committees are considering the broad strategic approach, they will be operating at level 1 figures. As the paper makes clear, it will be difficult for them to give anything other than a broad direction as to where they think spending priorities should lie. They can refer to the previous year's figures and those will be detailed, but they will still be using large, level 1 figures.

That process runs from 31 March to June. That first period is quite lengthy, considering the amount of information that is available to the committees. However, during stage 2, from 20 September to the end of November, the committees will be less in the dark, using more detailed, level 2 figures. The committees will have only two months to work on that. Parliament will have just returned from the summer recess and the conference season intrudes when Parliament's timetable tends to be lighter, yet an awful lot of work is to be done in less time than is allowed for stage 1. Andrew Wilson is frowning—perhaps he disagrees.

**Andrew Wilson:** It is just the light.

**Mr Raffan:** I do not know what other members think, but I am concerned about the strategic approach being decided on the basis of level 1 figures.

**Mr Davidson:** I agree. I do not think that members of other committees expect to get only level 1 figures at the early stage. Many of them will have been working at another level anyway, on various subsets of the activities of the relevant committee. Is there a particular difficulty for the Executive in producing level 2 figures for this exercise?

**The Convener:** What exercise?

**Mr Davidson:** Stage 1.

**The Convener:** We do not know whether those figures will be available.

**Andrew Wilson:** We need to consider the committees' role in the process. If, as Keith Raffan said, the other committees already have detailed figures for the previous year, they can tell us whether they think that the level of funding in each specific area was adequate and where changes would be required. At that stage, we do not need the Executive's plans, although that would be helpful—we just need to say what the parliamentary committees' views are. Once we get the Executive's plans, we can see where they meet, if at all.

That would be a helpful way for the committees to feed into the process. They could say what they

would like and what is happening. The debate would then be about constraints and priorities. Early indications about what committees think would be helpful in their subject areas could be based on the previous year's figures.

**Mr Swinney:** That involves a pretty big assumption about the information that will be available to subject committees. Frankly, a level 1 or 2 debate on a previous year's figures is verging on the meaningless. Year on year, subject committees have to acquire a working knowledge of the balance of expenditure, to understand fully the balance of commitments. Committees must be able to understand what underlies the level 1 and level 2 figures in order to be able to recommend to the Executive and to the Finance Committee how those allocations should be shifted.

The time scales suggested in the paper seem to be fine, providing that the subject committees have a thorough understanding of how expenditure applies to those broad areas. That will allow the committees to have an informed debate on the issues that they wrestle with on an on-going basis. We need some clarification from the Executive of the information that will be available.

**Mr Raffan:** I have two points. I know that the Minister for Finance makes it clear that he will try to get the more detailed draft expenditure proposals out before 20 September. It is important that we encourage him to do so, because the earlier that the proposals are available, the better. It might be asking too much for them to be out by late August.

July and August are fallow months—nothing will happen in that period. Stage 1 will have been completed and stage 2 will not have started. There is no reason why committees cannot undertake some preparatory work in advance of stage 2, but it is important to get the more detailed expenditure proposals as soon as possible.

My second point is that we have to give the committees some guidance on what we want. I am not saying that I am necessarily qualified to do that, but we must give some guidance so that the information that we receive from the committees arrives in the same format. We must also consider the pressures on the subject committees. It has become increasingly apparent that some committees are hugely overburdened. That is why I am worried about the stage 2 time scale. Whether they can find time to consider the more detailed proposals in sufficient depth might depend on what other work they are engaged in at that time.

**The Convener:** Part of what we are suggesting is that we tell the committees to plan ahead and make time available.

**Mr Raffan:** That is a matter for the committees. I

sit on the Parliamentary Bureau, and one of the things that has become apparent is that even if time is set aside, bills will suddenly be dropped on committees. Certain committees, such as the Justice and Home Affairs Committee, have a huge queue of legislation—it is difficult for them to plan ahead.

**The Convener:** With respect, there cannot be many things more important than the budget. If the budget is set in a committee's programme, I would expect it to stick. Perhaps in very exceptional circumstances it would be difficult, but I am sure that those will be few and far between.

10:30

**Rhoda Grant:** I agree with Andrew Wilson. One way round the problem would be for committees to be briefed by their associated departments. The Rural Affairs Committee, of which I am a member, was given a breakdown of the budget by the finance officers, who told us which parts we could change and which parts they had a say in changing. They had to stick with some parts of their budget, but others they could change.

That meeting was helpful, and I am sure that other departments would do the same thing for other committees. We could tell other committees about that as soon as possible, before they started considering the budget.

**The Convener:** That could be part of the framework that we supply to all committees.

**Mr Davidson:** As the lead committee on the budget, are we in a position to take a proposal for action to the conveners committee? That would seem to be efficient.

**The Convener:** I expect to convene a meeting of conveners early next year to discuss the framework.

**Mr Davidson:** On that basis, should we set a date by which our committee should produce proposals for you to discuss at that meeting?

**The Convener:** Yes. That should be part of our discussion today. We want to know early in the new year that we are in a position to get the conveners together.

**Andrew Wilson:** I think that I am right in summarising the discussion so far as being Keith Raffan arguing for detailed figures to be provided as soon as possible and for the minister to be encouraged by letter to do that. John Swinney said that we should get the previous year's figures out to the committees as soon as possible. That can be done without too much difficulty.

Keith made a point about templates. We have to think about how to ask the other committees about the sort of information that we want back. We

might want to take external advice on that.

We do not need to worry too much about dates, but we should ask committees to report to us soon on the current year's figures and on where they think that changes should be made. The Government's plans are set out. It would not be difficult for a committee to tell us what would happen to its policy area if there were a 3 per cent increase in the overall block.

We should consider civic participation: what public role should the committee take in the process? We touched on that briefly at the previous meeting. The committee broadly agreed—I did not—that the Executive should lead the consultation process, but this committee might want to engage in some form of civic participation, given the importance of the budget.

**The Convener:** As Keith Raffan said, we must remember that we have to receive information back from the committees. If the information is in many different formats, it will be extremely difficult for us to distil it. We should ask them to reply in a specific form, although perhaps the use of a template would be going too far.

**Mr Raffan:** Andrew's summary was very good. His suggestion that we find someone to advise us on the issue of the templates is useful. Our job will be made harder if we get information back in different forms, especially as we might not get the information back as early as we would like.

**The Convener:** Subject committees are required to complete their consideration of stage 1 by early June, and the debate must take place before the summer recess, which is the end of June. That means that there could be less than three weeks between our receiving the information and having the debate. We must make matters as simple as possible for this committee.

**Mr Raffan:** We are not bound by the date of early June. We could ask to have the information earlier. If we set an early deadline, perhaps we will get the information by the end of May.

**The Convener:** We could bring the date forward if the committees are to set dates in their programmes to discuss the matter.

**Mr Davidson:** Would it be wise for us to divide into sub-groups to deal with particular committees? That would allow us to work in parallel and share our findings in this committee.

**The Convener:** That impacts on the question whether we want reporters.

**Mr Davidson:** Whether we have reporters or not, if every committee bombs us with information in a three-week period, we will not be able to cover the work.

**Andrew Wilson:** That sounds sensible. My problem with it, however, is the same as my concern about the structure of committees generally: it follows budget lines rather than policy outcomes. That is a weakness in any committee system. The role of the Finance Committee is to look across the whole range of policy areas and to make a judgment on that basis. If I were involved in two areas and David Davidson were involved in two others, we might end up arguing over our patches.

**Mr Davidson:** Our role could be to highlight points that the committee might want to deal with. I do not think that we as individuals should make recommendations.

**Andrew Wilson:** That is a useful point.

**Mr Swinney:** I am not keen on compartmentalising ourselves. We have to consider issues across the board.

**The Convener:** We want to have a feel for the discussions that the committees are having, however.

**Mr Swinney:** Would it be appropriate for members of this committee to feed in the opinions of other committees?

**Mr Raffan:** It would be useful to have reporters to begin with, so that we have an idea of how different committees are addressing the matter. The edges will be rough to begin with; it might take three or four years before a routine develops.

I take John Swinney's point about compartmentalisation. We have access to each committee's *Official Report*, but we might not have time to read it—we will have a huge amount of information coming in at once. The sooner that we can get the committees to consider the matter, the better. Most of the committee stages of bills will be over by 31 March, so they might have time then. Bills will not come to the committees for stage 2 consideration until early November. The sooner we start and the sooner we get information from the minister, the better.

**Rhoda Grant:** I agree with what John Swinney said. One way round the problem would be to turn it on its head and ask the committees to provide a reporter. We could ask them about their priorities and the thinking behind their figures.

**Mr Swinney:** I agree with that.

**Mr Raffan:** That is a good idea.

**Mr Macintosh:** It is an excellent idea: I, too, am against compartmentalising this committee. It is important that we get the headline information fairly succinctly. The information from each committee should be comparable, so we should make a decision about the format in which we want the figures to be presented to us.

On another point, page 2 of the briefing document says that

"members indicated that they did not think that subject committees should be required to operate within 'zero sum' restrictions and it would therefore be open to them to propose areas where total departmental spending should be increased."

That is not how I remember that discussion concluding. I thought that we decided that, although we did not expect committees to operate within zero sum restrictions in their budgets, they should be asked to identify other areas where savings might be made. We did not want a wish list.

I am sorry that I do not have the *Official Report* with me, but I remember that we wanted committees to point out where they thought more money was needed and to suggest areas where they thought that money could be found.

**Andrew Wilson:** There might be a confusion here. There is a distinction to be made with regard to amendments to the written understandings.

We must bear it in mind that if the budget is set to increase by 3 per cent, there can be bids for anything between 10 per cent and 1 per cent within that. Perhaps Kenneth's recollection is to do with the written understanding, which requires any proposal for a change to show where spending should be cut.

**Mr Macintosh:** You are right to say that committees cannot operate within zero sum restrictions, but I do not think that you are right about my recollection. I believe that we did not want committees to come up with wish lists. I cannot remember how we concluded it exactly, but I do not think that it was as it appears in the briefing document.

**Sarah Davidson:** I am afraid that I do not have that *Official Report* to hand either. I recall that the committee felt that it did not want to encourage subject committees to come up with wish lists and that, in any framework that it gave to the committees, it would encourage them to think constructively about the organisation of their budgets.

Having said that, I recall that the committee did not want to constrain committees by saying that every increase must be balanced by an equivalent decrease.

**Andrew Wilson:** The production of the guidelines will involve much toil. Perhaps we should discuss them in January, so that we can have firm guidelines as early as possible, if we are to ask the committees to start to examine their budgets in early April.

**The Convener:** I understand that the clerks are already preparing a basic framework for us to

examine in our first meeting after the recess.

Rhoda's point about having reporters from the subject committees is important and seems to have wide acceptance in the committee. We cannot force other committees to send reporters, but we can invite them to do it. It will be especially important if the committee wants to extend its budget beyond that which is proposed.

Are we agreed that we should do that?

**Members** *indicated agreement.*

**Rhoda Grant:** I want to return to the subject of the zero sum restriction. Do we have something in our guidance notes that suggests to committees that they should look for areas in their budgets where savings can be made? Perhaps I am living in dreamland to think that they might suggest that, but we want to avoid empire building by committees.

**The Convener:** We will probably find that, if a committee believes that savings can be made, it will also have an idea for an alternative use for the resources. Time will tell.

Page 2 of the briefing document talks about advisers.

**Andrew Wilson:** The suggestions seem sensible, although we might want them to be more specific.

I had initial reservations about having a former civil servant or Government adviser but, on reflection, it might be useful to have the insight of a creature of the civil service, as long as that was balanced by the view of an external cynic. I would like to see some specific examples of advisers.

**The Convener:** We will get that early in the new year.

**Mr Raffan:** I agree that the suggestions are fine. We will probably be able to decide between several people after having considered their curricula vitae.

**Sarah Davidson:** Researchers have already begun to consider the matter, and we hope to have a paper ready for the first or second meeting after the new year.

10:45

**The Convener:** Is there anything else on that paper?

**Andrew Wilson:** To return to an issue that was raised a few moments ago, a budget is available for civic participation. At the first meeting, convener, you expressed a desire for the committee to be seen outwith the confines of this fair city. That is something that we might wish to return to.

I think that two budgets are available: one for travel and one for civic participation. Given the importance of the budget process to everything that the Executive and the Parliament does, we may wish to take advantage of that.

**Mr Raffan:** We have to move fairly quickly in deciding how we will do that. As I understand it, it is up to us to take the initiative. Will we receive a paper on how we might proceed?

**Andrew Wilson:** Why do we not feed ideas into the centre and draw together a short note on that?

**Elaine Thomson:** As I understand it, this would supplement the consultation that the Scottish Executive is doing—or has done—anyway.

**The Convener:** The Minister for Finance said that to us, did he not?

**Elaine Thomson:** I am sure that there was some mention of that. It would be nice to know exactly what has been done in terms of consultation. We would—

**The Convener:** To ensure that we complement it.

**Elaine Thomson:** Absolutely. We should ensure that there is no duplication and be clear that there is real value in anything that we choose to do.

**The Convener:** We might want to consult with different people or organisations. It is important that we know what the Executive is doing.

**Rhoda Grant:** If the committees are drawing up their budgets, should they not be consulting those organisations? We should tell them to go out and consult too, because they are dealing with the most basic figures. We might take evidence from outside organisations that are at odds with what the committees are doing. Surely they should make that connection rather than us.

**Mr Raffan:** First, the minister has already published a glossy consultation document, of which I have several copies. I do not know who it has gone to, but it would be helpful to find out.

Secondly, we should decide how long the consultation period should be. Thirdly, we should decide to what level we carry out consultation, because we could be absolutely inundated. Do we go to all voluntary organisations or to the umbrella organisations? That kind of point is tremendously important. It should be a pyramid form of consultation, so that we consult bodies who are consulting their own member organisations or organisations under them. Otherwise, especially if it is advertised, we will be snowed under.

**Mr Swinney:** There should be some balance between the points raised by Rhoda Grant and Andrew Wilson. Rhoda makes a fair point. If we are saying to the subject committees that they

should look at their policy area and be satisfied that the £500 million is being spent in the optimum way, the obligation is on them to be comfortable with their area of policy and to have consulted adequately within it. I have a lot of sympathy with that.

As a committee, however, we should consider the purpose of going out with our traditional meeting structure to consult further, when—and I do not have a fixed opinion about this—it may be our job to encourage committees to come here with views about their budget allocations. Such views may be more in line with community opinion than, for example, the Executive's budget choices.

We could encourage a debate about whether the Executive's priorities are in line with the committees' view of what the external community might demand. This committee could facilitate such a creative debate, but we should come to some conclusions on how we do that, other than having meetings at which we hear from the subject committees.

**Mr Raffan:** I agree with Rhoda Grant and John Swinney. The consultation should be done through the committees. They can start to do that in the autumn for the following financial year. They could start going out with that year's figures and asking for general indications.

**The Convener:** Would it be in the framework that we put to them that that would be part of the whole process?

**Mr Swinney:** If the Minister for Finance believes that what he has published is a consultation exercise, we have to educate him. The document is nice and colourful, but it is not very informative. It does not have information in real terms and does not provide a degree of debate; it is like a statement of the current position, rather than posing searching questions, challenging any particular thoughts or leading the debate in any way. It is eight pie charts dumped on Scotland, and not even in real terms. That is my only caveat about Rhoda's comments: if that is consultation, I do not think that it is adequate.

**The Convener:** I am keen to draw this to a conclusion.

**Mr Davidson:** I agree with John's points in global terms. As I said in the chamber the other day, to go out with just level 1 figures, presented in a particular style, does nothing whatsoever for the public debate. People are better off reading newspaper criticism of what has gone on in the committees. This is our first year and we are only feeling our way.

I appreciate that we are under pressure to get things done. However, if we were running a large organisation, either in the public sector or the

private sector, those responsible for finance, whether it was a finance committee or an individual, would want other departments to come to them with a range of options rather than a final decision. If we were conducting that process publicly anyway, that is perhaps where we should start.

If, at the end of the process, we feel that there is a message to put out to national organisations such as the Convention of Scottish Local Authorities, the association of health trusts and, as Keith Raffan rightly says, other organisations at that level, to get their views on whether the options are up to their expectations, that is fine. However, we should not go on a roadshow just for the sake of it but should have a purpose.

**Rhoda Grant:** We are saying that in stage 1, the committees should go out and consult, while stage 2 involves the figures from the Executive and the committees—and we know where there will be conflict. At that stage, we could go and consult, because we are the ones who may be trying to bring the two together and consider the merit of the committees' arguments as opposed to those of the Executive.

**Mr Swinney:** The so-called alternative budget.

**Rhoda Grant:** We could be telling a committee that it is wrong. If it has not carried out the consultation correctly, it would show up at that point.

**Mr Raffan:** It will be difficult for us to do any extensive consultation between 20 September and the end of November. It is an continuing process, and once the committees get into it, they may be able to start in the autumn for the following financial year.

**Mr Swinney:** Is that the case, Keith? On 20 September, there will be the Executive's view of level 2 figures and, as a result of the consultation exercise in stage 1, there will be the subject committees' view of level 2 figures. Rhoda raises an interesting issue, which is that we, as a committee, may be able to facilitate a debate about who has the best priorities: the subject committees or the Executive. That is a legitimate debate for us to encourage.

**The Convener:** The time scale will constrain that.

**Mr Swinney:** The time scale means that it has to be done on a tight basis, but that is nearly 10 months away. We have an opportunity to begin to plan what shape that process might take.

**The Convener:** We do not have to make final decisions today. The form of civic—or external, if you like—consultation that takes place in 2000-01 does not have to endure after that period. We can see how it goes in that first year. We will expect

the committees themselves to consult. Rhoda's suggestion that we should do it in stage 2 is interesting. I am not sure how we should take that forward at this stage. We may have to revisit it when we look at the process again early in the new year. Can we leave it like that just now? Are you happy with that for the moment?

**Members** indicated agreement.

**The Convener:** Thank you. That was a lengthy discussion but an important one. We will return to that issue.

## Expenditure Plans (2000-01)

**The Convener:** You have had a briefing paper on the 2000-01 expenditure plans. We want to try to pull something from the briefing with Brian Ashcroft and Stephen Boyle that we had three weeks ago and prepare ourselves for next week's meeting with the Minister for Finance.

I have been asked to point out that because the cabinet meets on a Tuesday morning, the minister cannot be here before 11.30. If we complete the other business before 11.30, we may take a short adjournment during the meeting.

If there are other points on which you require details from the minister to ensure that he is able to comment on them when he comes before us next week, let Sarah know within a reasonable time scale. Sarah, what would be a reasonable time scale for you to transmit those requests to the minister?

**Sarah Davidson:** By the end of Friday of this week.

**The Convener:** So, by Friday at the latest. That will give the minister, or his staff, three days to prepare responses.

**Andrew Wilson:** Given the time scales and the process that we are engaged in here, and the fact that the report has to be written very quickly after the next meeting, this is a helpful kick-off. At this stage in the process, given that we have not had any consultation or real digestion of the figures, the aim of our report should be, perhaps, to set out our concerns or suggestions for improvement in the manner in which we receive information.

That issue dominated much of the discussion with Professor Ashcroft and Mr Boyle. That could be where we add value at this stage, rather than in commenting specifically on the budget itself. This note is very helpful—almost everything is captured in it. There are one or two exceptions, which we can cover in discussion, but this is a helpful beginning to the debate.

**Mr Raffan:** One problem is that Stephen Boyle had been away on holiday, which meant that he

and Professor Ashcroft had not been able to co-ordinate as much as they would have liked. They were covering different time scales, which made it difficult to compare what each was saying. For future reference, it is important that we encourage them to co-ordinate, particularly when they are making such a presentation, so that we can get more direct comparisons.

A number of points in the report are not covered here. For example, Stephen Boyle talked about

"the figures that we received being set out in cash terms. The simplifying assumption that I made was that inflation would be identical across all budget headings for the next three years. That is a hugely simplistic assumption. In some components of the budget, such as pharmaceuticals"—

we were discussing pharmaceuticals, so that is my specific point—

"inflation may be much higher and in others it will be less."—[*Official Report, Finance Committee*, 16 November 1999; c 164.]

That is a crucial point.

**Andrew Wilson:** This is a serious issue for us. The report should scream, in size 17 font, "Never ever give us cash-terms figures unless you give us real ones", because such figures are entirely useless. I have to spend half an hour deflating the figures, which is something I have not done for three years—it is very painful. Everyone else has to do it too, so it is useless getting cash-terms figures. The document that we received in the consultation process is an insult. The Conservatives ceased doing it at one point because it was so preposterous. The report should scream loudly, "Deflate."

The next issue that was raised by Keith is how to deflate, because there is no Scottish inflation figure. Is it accurate to use UK-wide ones? Take the health programme, where inflation is running at 12 per cent in some areas. How valuable is that? We can now play a role and say to the Executive that it should consider making some suggestions. If health spending increases by 5 per cent but prices increase by 10 per cent, the volume of purchases has gone down. That is disguised within cash-terms figures and, indeed, real-terms figures, which I guess was Stephen's point. These are serious issues, on which we should make our view known. This report gives us the chance to do that.

11:00

**Mr Swinney:** I am afraid that I will be unable to attend next week's meeting, regrettably, as I have an appointment with Scottish question time in the Palace of Westminster.

The first bullet point on the expenditure proposals report is one that I feel very strongly

about, and I questioned Brian Ashcroft and Stephen Boyle about it. The way in which information was presented in the budget statement, particularly the helpful way in which Brian Ashcroft presented the inflated figure for one particular year with his slide, was useful for clarifying exactly what the Government is saying in its programme.

We need clear financial information about which there is no dubiety, and attempts to make something look larger than it really is—which is all that we are getting in the comparison between outturn and new expenditure figures—is something which we should state loudly and clearly that we do not find acceptable as a way to present information. I hope that we can make some strong remarks about that in our preparations for the debate.

**The Convener:** Andrew raised the third bullet point. John has now raised the first one. I think that we accept that those should be the subject of a question to the minister. Does anyone want to comment on any other points in the expenditure proposals report or to raise any other issues?

**Mr Raffan:** How long will we have with the minister next week? Just an hour and a half, presumably?

**Mr Macintosh:** Just an hour, I think.

**The Convener:** I take it that we will be in committee room 1.

**Sarah Davidson:** The final decisions on the allocation of committee rooms for next week have not been taken yet.

**The Convener:** So it is not the case that whenever a minister comes before a committee, the meeting will always be in the room where meetings can be televised.

**Sarah Davidson:** It is indeed not necessarily the case: a balance of judgments has to be made.

**Andrew Wilson:** Will it be in committee room 1 next week?

**The Convener:** We do not know yet, but Jack McConnell will attend from 11.30 am, and we are entitled to expect him to be here until 1 o'clock if we need him to stay until that time. There has been no indication that he is time-limited. I therefore advise members to set aside their time until 1 o'clock on Tuesday.

**Mr Davidson:** One thing that arose from the discussion with Brian Ashcroft—and I met him in another place later and the discussion continued—was how we handle contingency spending. At the moment, the Government will go off, with permission, and spend up to a certain sum, which will come from all over the place and will be difficult to trail. Professor Ashcroft did not fully

explore the point at the committee meeting, but later elsewhere he discussed in more detail how to approach setting up a contingency fund whereby we know in advance what is going on, what top-ups are required and so on. I do not know whether we should perhaps ask the minister about how he views what could be called the flagging procedures for contingency spending.

**The Convener:** That is something that we can raise.

**Mr Davidson:** It is certainly something that Brian Ashcroft would like to hear more about.

**The Convener:** I should stress that there is no obligation to give the minister advance notice of what we are going to ask him. Members are at liberty to raise any question that comes to mind on the day.

**Mr Davidson:** Fine.

**The Convener:** Or there may be points that members may wish to hold back.

**Mr Swinney:** Not yet, anyway. [*Laughter.*]

**The Convener:** I wish to ask for clarification from Sarah on the drafting of the report. Do you plan to take the points that we have been talking about into consideration, Sarah, and how do you plan to expand the report?

**Sarah Davidson:** I propose to do a draft for members, for consideration at the beginning of next week's meeting, which expands on the points made and reflects on comments made today and in discussion with the witnesses at the previous meeting. I hope that members will be able to comment on the terms of that draft in advance of seeing the minister, and that, after we have heard from the minister, a further draft will be made, reflecting both his response and points made by committee members in discussion.

Time has been very tight for members to comment on the draft. We hope to have a draft ready by 3 o'clock or 4 o'clock in the afternoon. That would have to go for publication by about 7 pm. I hope that, next week, we can discuss practical ways in which any members who want to look at the further draft can make an input to it that afternoon.

**The Convener:** It therefore occurs to me that we should not plan to get away by 1 o'clock. Even if the minister leaves at 1 pm, the committee will be required to stay a bit longer to continue discussing how we want to supplement the draft report. If members have lunch commitments on Tuesday, please try to get out of them.

Will we be able to keep the room beyond 1 o'clock?

**Sarah Davidson:** If not, we can make



alternative arrangements.

**Andrew Wilson:** Are we aiming to finish at about 1.30 pm?

**The Convener:** That is quite a likely time, yes, Andrew.

Is that acceptable? We can use the earlier part of our meeting to consider the draft report. Will you circulate it before the meeting, Sarah?

**Sarah Davidson:** I will do. My hope is that, to facilitate the first and second stages of drafting the report, the meeting with the minister will, apart from any specific points that anyone wants to raise with the minister that we had not covered with Professor Ashcroft and Stephen Boyle, follow the individual points that have already been highlighted. The minister's response to those points could then be worked into a draft fairly easily thereafter.

**The Convener:** Are there any other comments on that? Thanks, Sarah.

I think that we should note the work done by the clerks on this. It was very difficult to fit this report in, given the time constraints. We are on course to do it, albeit rather frenetically, but it will be achieved, for which I would like to convey the committee's thanks.

## Written Agreements (Scottish Executive)

**The Convener:** The last item on the agenda is the written agreements with the Scottish Executive. The draft agreement and minister's letter have been circulated. If members have those in front of them, I would like to go through them on a paragraph-by-paragraph basis.

**Mr Raffan:** Do we want to look at the letter first?

**The Convener:** Right, let us start with the letter.

**Mr Raffan:** I want to raise the point about large capital project. The minister says that he takes

"any project with a value in excess of £3 million to be 'large' but there is no fixed definition because what is large to one area might be trivial to another."

He seems to be contradicting himself in the space of one sentence, by saying £3 million is large in one area, but in another area £1 million might be large. I am not sure to what extent that part of the letter clarifies matters.

**The Convener:** Well, it does not, really.

**Elaine Thomson:** Surely the letter refers to dealing with an extremely large budget which runs into hundreds of millions of pounds. In such cases, £3 million is a relatively small proportion. However, if a department has a small budget of £5 million for

example, £3 million is a huge proportion. Surely that is what that part of the minister's letter means.

**Mr Raffan:** No, I do not think so. He says:

"there is no fixed definition".

It is not a question of what proportion the £3 million is of an entire budget; it is simply a very vague guideline. The minister is saying that there is no fixed definition.

**Andrew Wilson:** I beg your pardon, convener, but before we discuss the details of this, can I ask your guidance on what happens in areas of continued disagreement? There are a number of issues, some of which we will go through, on which the committee disagrees with the Executive, or disagreed previously. They have not been changed, and, having read the agreement, I do not agree with the statement that 98 per cent of them are unchanged now. What do we do about that? Where do we find resolution?

**The Convener:** We can, despite the time limits, raise such issues next week, as the minister will be at the meeting. If we continue to have disagreement after that, the answer to that is that I am not sure.

**Mr Raffan:** I think that it would be unsatisfactory to go on from the budget to issues of disagreement next week. We should do one thing at a time. We may have to invite the minister to come on another occasion, before we go into recess.

**The Convener:** Before we go into recess?

**Mr Raffan:** If he wants the things agreed.

**The Convener:** He does. It depends how strongly we feel about points in the draft agreement. Let us go through the letter first, and then look at the agreement itself. We will see how strongly we feel about the issues and find out if there are points of substantial difference.

Keith, you were talking about paragraph 3 of page 1 of the minister's letter to us.

**Mr Raffan:** I do not think that it is clear, but I think that the minister is trying to be helpful, to be fair to him. It is just a question of whether we want to specify a figure lower than £3 million as being large. That is what it comes down to. I am open about it—£3 million is a fairly arbitrary figure.

**Mr Swinney:** To be fair, it is difficult to come to a definition. If we want to define a large variation in a variable budget, that enters the realms of deciding whether it is, say, 0.5 per cent of the budget. Formulations of that sort do not work in these situations. I do not think that we can add much, to be honest.

**Mr Raffan:** So you think that we should leave it at £3 million?

**Mr Swinney:** If we cannot find a better figure. I can think of projects in the great scheme of things which had a value of £27 million. That figure would be relatively modest in the context of a large budget. What is £27 million of capital project in the context of a health budget of £3 billion or £4 billion?

**Mr Davidson:** I do not really think that this is an issue, convener. We can put this in the context of the budget head within which it lies.

**Mr Swinney:** I do not imagine that our legitimate line of inquiry will be thwarted because a figure happens not to pass a test of £3 million.

**The Convener:** We will leave that, then.

Page 2 of the letter covers contingent liabilities. I see that there are three exceptions to what we had suggested.

**Mr Raffan:** The minister seems to have been very co-operative on the format of budget bills' supporting documentation.

**Mr Swinney:** I take a different view.

**Mr Raffan:** What?

**Mr Swinney:** I am on the paragraph at the top of page 3.

**The Convener:** The sentence starting

"I am quite content to agree?"

**Mr Swinney:** Sorry?

**The Convener:** The paragraph goes over from page 2 to page 3.

**Mr Swinney:** The minister says that

"the Budget Documents should contain 'a comparison between the current proposals and the previous year's figures, in both cash terms and real terms, and that there should be a table showing percentage changes in individual figures from the previous year'. I am quite content to agree to provide this information to the Finance Committee".

Of course, we welcome that. He then goes on to say that

"the inclusion of such information in the budget documents themselves would serve to make them unnecessarily lengthy as far as the public is concerned."

That goes back to my point about the glossy document. I am afraid that there are some very well informed people out there among the public who can understand the difference between cash terms and real terms. If budget documents for public consultation do not include a real-terms comparison because that is too lengthy for the public to consume, that is a very real issue for us.

**The Convener:** It is not clear to me what is meant by the information being "made available separately." Do you understand what that means? It could just mean producing another document. I

am referring to the last sentence of the paragraph on the format of budget bills' supporting documentation, on page 3 of the letter. That does not say that the information should not be made available; it says that it should be made available separately.

**Andrew Wilson:** I will express this point as constructively as I can, but it is misleading to produce a budget document in cash terms. The first question that any person asks is, "How much has health spending increased?"

If the information is there in black and white, good. It does not make budget documents unnecessarily lengthy; forewords make them unnecessarily lengthy. What people need from them are the basic facts. The minister's statement is therefore simply unacceptable, given the committee's strength of feeling on the issue at the last meeting. The documents should express in black and white exactly, and in real terms, what has changed.

**The Convener:** Well, it says

"in both cash terms and real terms"

in the letter, so we will get the real-terms figures.

**Mr Swinney:** Yes, but the problem comes in making the information available separately. We would then have two volumes of financial documents. I would like us to look at the health budget, for example, for the last financial year and the next financial year in both cash terms and real terms. It is like wallpaper: it is fundamental to what you look at on the wall. We would not have that if there is a different document—not just an appendix but a different document—for the real-terms figures. If we did that, we would be doing nothing to raise the quality of debate and nothing for the public.

**Mr Raffan:** I agree with John Swinney and Andrew Wilson on this. It is quite clear: the information will be made available to us separately. In the previous sentence, the minister says that

"the inclusion of such information in the budget documents themselves would serve to make them unnecessarily lengthy as far as the public is concerned."

So the public will not be privy to the information, but we will. That is how I read it. The documents should be published so as to be easily accessible and comparable.

11:15

**The Convener:** I did not read the letter in that way. It was not my understanding that the public would get certain information and the committee would get information beyond that. I would not be happy if that were the case.

**Mr Swinney:** It would also be unacceptable if there were two public documents—the cash-terms document and the real-terms document.

**Rhoda Grant:** I disagree. It would be acceptable to have two public documents. One would be a summary of the budget proposals for people who wanted to see only the general trends; they could pick it up without having to go into detail. The document containing the breakdown that we would be looking for would include information from the shorter document; it would be left for anoraks to pore over that rather than—

**Mr Macintosh:** That is my reading too. We can ask the Minister for Finance about the documents next week, but I assumed that they would be the equivalent of the budget document and the red book, which is another public document. If a document is available to the Finance Committee, it will be available to everyone.

We do not want to make the budget document unreadable. However, the budget document is a presentation of arguments, such as why the Executive might go for environmental measures, and trends and other material. It is a policy document as much as anything else. It would not necessarily be suited to lists and lists of tables. The red book is a book of statistics, which we need, but it is not necessarily what the Government should churn out for the public.

**Mr Davidson:** We have two lads, John Swinney and Ken Macintosh, setting out the stalls of the two opposing arguments. We need to ensure that we produce a single document that any organisation can pick up—they will all want to look at the document in Scotland—or that any person can go into the library to read. The red book is extremely complex and takes in taxation statistics and so on, which we do not want. We are talking the same money—the document must be produced for public consumption and it must deal with real-terms spending.

**The Convener:** Will committee members be satisfied so long as the documentation is provided publicly?

**Mr Swinney:** Ken Macintosh—not me—introduced the argument about the red book. The Government has just announced a consultation exercise on spending plans that does not take inflation into account. To me, that is a fantasy. If I published a document that did not take inflation into account, the Minister for Finance would take me apart, limb by limb.

In addition to the cash-terms figures, which the Government obviously believes should be communicated to the public, all I ask is that the figures should be included in real terms, instead of some of the pie charts. There is plenty of room in that document for argument and explanation of the

Government's spending strategy.

**The Convener:** That is quite clear—the committee has made that view clear.

**Andrew Wilson:** I do not think that there is any disagreement. Rhoda Grant and Ken Macintosh made the point about trends—one cannot discern a trend unless one has the figures to show that there has been, for example, an increase of 4 per cent. That is doing the work for the public. I am not hung up about having reams of information, as John Swinney said. I want the basic information set out clearly—real-terms figures with year-on-year changes in money terms and in percentage changes.

**The Convener:** So, are we saying that we do not mind a separate document, so long as it is a public document and is provided alongside—

**Mr Swinney:** That is meaningless. It would benefit the public purse if we sent out one document that contained the information in cash and real terms.

**Andrew Wilson:** And the year-on-year changes.

**Elaine Thomson:** If we are going to make the documents public, we should make them available separately, as Rhoda suggested. I do not feel that it would be useful to produce a large document with very detailed figures. Instead, we should have a summary and then provide the additional details in a separate document.

**The Convener:** John, you made the point that some members of the public are very knowledgeable on this subject; that is true. However, other people will want to read the documents and take what they can from them. I see no difficulty in bringing out two documents.

**Mr Swinney:** I suspect that people who work in a health trust, for example, whatever their role, would be able to understand whether inflation has been taken into account in the Government's spending figures.

**Mr Macintosh:** I understand what is being said. However, we seem to be arguing about whether the figures should be in one book or two. The minister spells out his commitment in his letter. He says that the figures should be comparable

"in both cash terms and real terms"

and that they will be publicly available.

**Andrew Wilson:** He does not say that.

**Mr Macintosh:** Well, he says that the figures will be available to us, which means that they will be publicly available.

We are talking about the presentation of Government documents. We have to ensure that the figures are available. I used the red book as an

analogy. Anyone who studies the budget picks up the green budget book and the red budget book, one of which is thick and the other thin. What is wrong with having the statistics in a separate book? They will still be available publicly.

**Mr Swinney:** Ken cannot have it both ways. We have accepted that the Minister for Finance should lead the consultation exercise on the budget. However, if that has been agreed, we are entitled to say what sort of information should be publicly available. Anyone who logs on to the Government's website to look at the Government's spending plans will find a document with pie charts and no real-terms factors. That is what has happened to date and it is not acceptable.

**Mr Raffan:** We are getting totally bogged down. If there are to be two documents—a summary and a more detailed document—both should be in cash and real terms.

**Andrew Wilson:** "Serving Scotland's Needs" contains the detailed spending plans in real and cash terms, but it does not provide the year-on-year changes that were requested. John and Keith are making the point that a document that provides the information only in cash terms is misleading and another that provides the detail and the year-on-year changes is accurate. What is the point of having two documents doing two different things? If we are to produce a summary, that is fine, but we should provide real-terms information and some basic year-on-year changes. People can then get stuck into the more detailed document. However, both documents must give consistent information that people can understand. It is difficult to see why anyone would be against greater clarity.

**Mr Macintosh:** The documents are not misleading.

**Andrew Wilson:** Yes they are.

**Mr Macintosh:** The minister has made it quite clear that he will not mislead us.

**Andrew Wilson:** Saying that he will not mislead us is not enough.

**Mr Macintosh:** Andrew's dislike of certain documents does not mean that those documents are misleading. The documents fulfil a certain purpose; in many ways, they are policy documents. One can describe policy in whatever terms are necessary to get the argument across. Just because one does not agree with the way that a policy is described does not mean that a document is misleading. We insist on publishing comparable figures, and I do not see what fault can possibly be found with that. If we can have those figures, anybody can have them.

**Mr Swinney:** I am sorry to have to say this, but I must. Ken Macintosh mentioned the concern

about increased burdens on local authorities. In a policy document, the Government might say, "Blah, blah, blah. We will pass the function of the Children (Scotland) Act 1995 on to local authorities and we will pass the responsibility for community care on to local authorities." However, the budget figures show only a 1 per cent increase in cash terms for local authorities. In real terms, local authorities are wrestling with increased burdens and less money. Local authority leaders logging on to the website would find a whole range of Government policy announcements in that document and a whole financial statement in cash terms.

**Mr Macintosh:** They would be able to find all the information that you are talking about in the document that is before us, would they not?

**Mr Swinney:** In the foreword—

**The Convener:** We are getting bogged down in this discussion and we must try to draw things together. We want to agree on the format of the budget documents. The document says:

"FIAG considered what information should be put before the Parliament to support Budget Bills. The Group recommended that they should cover all expenditure by the Executive which the Parliament has to approve, rather than merely that which involves expenditure from the Scottish Consolidated Fund. The Scottish Ministers undertake to prepare their budget proposal in accordance with this recommendation."

We are talking about different things—budget procedure on the one hand and the supporting documents on the other. John Swinney is making the specific point that everything must be contained in one document, but I think that the most important question is whether the information is available and in what form. I note the point about meaningful real and cash-terms figures. Those figures can be made available, but the question is whether they should be in one document or in separate documents.

My only doubt is about the interpretation of the minister's comment:

"I think therefore that this type of information should be made available separately."

Had he said that the information would be available privately to the committee, I would have been concerned. However, the word "separately" suggests that it will be contained in an open and public document.

**Mr Swinney:** I am comfortable with Keith Raffan's explanation that, wherever information is being presented and however detailed it is, it should be presented in cash and real terms.

**Andrew Wilson:** Unfortunately, we are rather bogged down at this stage. At the last meeting, the committee suggested a change to the document from which the convener has just quoted. To the

point on

"statements of the amounts of funding sought",

we wanted to add wording along the lines of, "in cash and real terms and with year-on-year changes." We requested that change and the committee agreed to include it in the budget documents, but the Executive has not changed the document accordingly.

The explanation in the document does not alter the fact that those figures will not appear in the documents as we requested. I suggest that we ask again that that bullet point be amended to include the words, "in cash and real terms and with year-on-year changes." That change would add one page to the document.

**Mr Davidson:** The question is whether the committee is prepared to tell the Government, "Yes, you can go out and spin a document that is a political policy statement in the best light possible for your own interests." The alternative is that we put the real story in real terms for those who are intelligent enough to get down to the nitty-gritty. Our argument must be that whoever picks up the document—the man in the street, a pensioner or someone from the Convention of Scottish Local Authorities—should be able to read the truth up front in a form that tells them exactly what the policy means for their daily lives. We cannot back away from that.

**Mr Raffan:** It is important to get this straight, and we need the help of a special adviser to do it. I am not happy with some of the Executive's documentation; we have to pin it down. The social inclusion document referred to the record since 1997. The Scottish Executive has not been in power since 1997 and I am not interested in what the UK Government is doing. The documents must be factual—we do not want spinning, party political documents.

**Rhoda Grant:** Both documents should be compatible; we should be able to read them in tandem. Someone from local government should be able to read the section in the budget document that gives the trends for policy and be able to follow that up in the other document. We are at cross-purposes. We are not talking about a document that gives the wrong impression. We are talking about a document that is easily read, which details trends and the policy behind it, and which gives the figures.

11:30

**Andrew Wilson:** For the third time this morning, Rhoda Grant has hit the nail on the head. We are arguing about the consultation document. In fact, we cannot determine what is in the consultation document—although we can and will criticise it.

We are considering the budget documents and whether we want to ensure that the figures are in them. Am I right?

**The Convener:** Yes.

**Andrew Wilson:** I shall help you to wind up, convener. Can we reassert that we would like to see in the budget documents year-on-year changes in cash and real terms?

**The Convener:** We can reinforce that point.

**Andrew Wilson:** The Executive can do what it wants with the consultation process.

**The Convener:** The clear view is that we should reinforce that point to the minister—he may be willing to concede it.

We are still discussing the letter. Do members have any points to raise on the in-year changes to expenditure allocations?

**Mr Davidson:** Have Andrew Welsh and the Audit Committee given any indication of the points that they want to add?

**The Convener:** I am not sure.

**Sarah Davidson:** The Audit Committee is not going to look at the documents until the turn of the year. I do not get the impression that there is any haste to agree them, as budget documents in this format will not be produced until the next financial year. The committee can take its time.

**The Convener:** The letter seemed to cover everything in the documents. I am not proposing that we go through them paragraph by paragraph.

**Andrew Wilson:** Are we going to move on now? I have one remaining point.

**The Convener:** Is your point related?

**Andrew Wilson:** Yes. I was taking a comfort break when you skirted over page 2 of the letter, which deals with page 4 of the document.

**Mr Raffan:** Which document is Andrew Wilson referring to?

**Andrew Wilson:** I am referring to page 4 of the draft agreement on the budgeting process, which deals with the thorny issue of what happens with the Parliament's budget. Last time, our request under paragraph 14 was for the sentence to read:

"The Scottish ministers will include in Budget Bills Parliament's proposals for its own budget."

We asked for that sentence to end there, given that the standing orders cover everything else. However, the Executive has inserted the words

"but the Executive may table a motion to discuss these if it thinks it necessary."

The Executive has changed the terms of that sentence, but the meaning of it remains the same.

Once again, I ask that that point be reinforced, as we agreed to it at our previous meeting.

**The Convener:** So, you are suggesting that we take out the “but”?

**Andrew Wilson:** Yes—from “but” to the end of the sentence.

**The Convener:** A full stop should be inserted after “budget”, the “but” should be deleted, and the following sentence should begin: “The Executive may table”.

**Andrew Wilson:** No. From “but” to “necessary” should be deleted. It was not an erroneous “but”.

**The Convener:** The sentence should end with “budget”. That reinforces the point that we agreed before. The Executive’s added phrase presumably refers to the second last paragraph on page 2 of the letter. *[Interruption.]* I have been advised that the financial issues advisory group report recommended that the Executive should have the opportunity to lodge such a motion.

**Andrew Wilson:** The FIAG report was written before the absolute disaster of the first few months of the Parliament. The motivation behind the suggestion, which found agreement at our previous meeting, was that we did not want an unholy scrap between the Executive and the Parliament over the Parliament’s budget.

**Mr Macintosh:** What has changed to paragraph 14 on page 4?

**Andrew Wilson:** The question is what has not changed. We asked that the reference to the Executive being able to lodge a motion to debate the Parliament’s budget be removed. That power is provided for in standing orders, so there is no need for it to be in the written agreement.

**Mr Macintosh:** So you want to take out the second last sentence.

**The Convener:** No. We will put a full stop after “budget” and delete the rest.

**Mr Macintosh:** So we will delete

“but the Executive may table a motion to discuss these if it thinks it necessary”?

**The Convener:** Yes. The final sentence stands.

**Andrew Wilson:** The drafting has improved since last time, when it seemed set to cause a disagreement; here it is much more benign. However, the position—which we agreed was unhelpful—stands. That is why we have instituted the process of getting a similar written agreement with the Scottish Parliamentary Corporate Body and so on.

**The Convener:** I do not think that this is a huge issue. The paragraph says that the Executive may lodge a motion; it does not say that it will lodge a

motion—that is an option.

**Elaine Thomson:** Presumably the provision is designed to enable a bit of flexibility.

**Mr Raffan:** On whose part?

**The Convener:** If that phrase were not included, would the Executive be precluded from lodging a motion to discuss these matters if it thought it necessary?

**Andrew Wilson:** That is the point. We said at our previous meeting that we did not want the written agreements to have gratuitous references to the all-pervasive power of the Executive.

**The Convener:** So the Executive could still do it if it were so minded.

**Andrew Wilson:** Exactly.

**Mr Swinney:** That was very much our approach in the discussion that we had with Robert Brown, Paul Grice and Stewart Gilfillan. We wanted the corporate body to be clear what the Parliament’s requirements were, and for those requirements to be reasonably debated without the Executive’s involvement.

**Mr Raffan:** I have always been worried by this power. Frankly, it puts the Executive in a position vis-à-vis the Scottish Parliament that the UK Government is not in vis-à-vis Westminster. There could be a set-piece battle, but Parliament should not be subject to the Executive and its whips. Although I am part of the partnership, I think that Parliament should be supreme.

**Rhoda Grant:** If the Executive believes that the Parliament’s budget is excessive or wants to score political points by cutting the Parliament’s budget to spend more money on health or whatever, should we ask the corporate body and the Executive to discuss the problem and come to an agreement without lodging a motion?

**Andrew Wilson:** We could influence matters at that stage. The point is that the power exists, so there is no reason for the Finance Committee to tell the Executive that it should go ahead. There is no reason to make the power more explicit than it has to be in the written agreements between the Parliament and the Executive.

**The Convener:** This is not a major issue; we should reach some consensus. Do you want the committee to retain the position that it has adopted until now?

**Mr Raffan:** I suggest that we replace  
“if it thinks it necessary”

with something like “only after all other avenues have been exhausted”.

**Elaine Thomson:** That is a good idea.

**The Convener:** Presumably that would refer to discussions between the corporate body and the Executive.

**Mr Raffan:** Exactly. That form of words is not perfect, but it is better.

**Andrew Wilson:** Is it better than not having the phrase at all?

**Rhoda Grant:** Yes, as it puts pressure on the Executive to discuss ways of addressing the problem other than by lodging a motion.

**Mr Raffan:** You have already conceded that the Executive could do that anyway, Andrew. It is better that we include it in those terms.

**Mr Swinney:** There is also a threat to the Parliament, however—the Executive is saying, “We will lodge a motion unless you give in.”

**Rhoda Grant:** But the Executive can lodge a motion anyway—we are saying that the motion should be a last resort rather than a warning shot.

**The Convener:** The suggestion is that a motion to discuss these matters could be lodged following discussion with the corporate body. I am coming round to the view that we should delete the added phrase, as that is the tidiest way of achieving the meaning that we want. If the Executive wants to lodge a motion, it can do so.

**Andrew Wilson:** I move that we delete that phrase.

**The Convener:** I cannot see any way around this issue, as there is no agreement other than maintaining the committee’s position. Is that acceptable?

**Members indicated agreement.**

**The Convener:** I do not propose to go through the draft agreements, as I think that we have covered the points in the letter. Unless members feel particularly strongly about specific points, I propose to draw discussion on this item to a conclusion.

**Andrew Wilson:** Before you do, Mike—and I am sorry to be a constant pain—I want to raise an issue about the fourth bullet point on page 2 of the agreement on the format of the budget documents. I am delighted that the Executive has fulfilled, to an extent, the request that we made at a previous meeting for a statement about the public-private partnership and private finance initiative projects to list the costs of servicing those projects on an annual basis. The problem is that we did not want the word “sector” included, because that information already exists—we sought more detail on a project-by-project basis. Perhaps we could seek further clarification—unless I missed it in the letter. I see no reason why we could not have information on that basis,

particularly from here on in, as the minister is already committed to providing such information where necessary.

**The Convener:** Would a list of projects and their servicing costs achieve that? How feasible is that?

**Andrew Wilson:** The Executive has that information. It is a question of—

**The Convener:** It is a question of demand and resources.

**Mr Davidson:** I suggest that the information should be grouped by sector, which would allow us to look at projects—such as schools, for the sake of argument—in a grouping. That would give us the details and some kind of comparison.

**Andrew Wilson:** That is a helpful idea.

**The Convener:** So we want to insert the word “grouped” between “costs” and “by”?

**Andrew Wilson:** We also need an expenditure plan that lists individual projects and servicing costs, grouped by sector. If the Executive were not specifically required to list individual projects, it could lump together all the health projects, for example, which is not what we are after.

**The Convener:** So there are two words to be inserted: “individual” and “grouped”. That concludes that item and, indeed, the meeting.

**Mr Raffan:** Is there an item for any other business?

**The Convener:** No.

**Mr Raffan:** So I cannot raise another point?

**The Convener:** No, I am afraid not.

**Mr Raffan:** Why not?

**The Convener:** There is no item on the agenda for any other business.

**Mr Raffan:** On a point of order, convener, I want to raise a couple of points. They may be points of information that I could raise separately with the clerk, but we should have an item for any other business on future agendas. Other committee members may find it useful to know about the points that I want to raise.

**The Convener:** Under standing orders, Keith, the agenda must be published in advance. An item on any other business would not meet the requirements of the standing orders. I am quite happy to conclude the meeting now so that, if you want to, you can raise those points informally.

**Mr Raffan:** I have two points for information—

**The Convener:** I close the meeting formally and discharge the official reporters.

*Meeting closed at 11:44.*





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