

FINANCE COMMITTEE

Tuesday 18 January 2000
(*Morning*)

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FINANCE COMMITTEE

1st Meeting 2000 (Committee Room 2)

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 18 January 2000

(Morning)

[THE CONVENER *opened the meeting at 09:47*]

The Convener (Mike Watson): Welcome, colleagues. I call the meeting—which is quorate—to order. As it is our first meeting in 2000, I wish everyone the very best for the coming year. We have a varied agenda today—I am sure that everyone has a copy, as it has been available since last Thursday. Do we have any apologies?

Sarah Davidson (Committee Clerk): No.

Inquiry (Scottish Executive Finance Functions)

The Convener: We will consider first the inquiry, which we agreed we would undertake, into the finance functions of the Scottish Executive.

Apart from the introduction, our main purpose today is to consider the wording suggested by the clerks. It seems to be a fairly tight remit, as members will see. I invite comments on the suggested wording. Do members wish to take up that invitation?

Mr David Davidson (North-East Scotland) (Con): I wish to ask—

Andrew Wilson (Central Scotland) (SNP): What do we anticipate will be the outcome of the inquiry? A report? Will the Executive take cognisance of that report, or will it simply exist?

The Convener: Yes, there will be a report. Are you asking what will happen to that report?

Andrew Wilson: Yes. Why are we carrying out the inquiry? Obviously, we agreed to have one, but what is its anticipated impact?

The Convener: The Executive receives all the committee reports. What it does with our report is up to the Executive. However, while we cannot force our views upon the Executive, we hope that anything agreed by this committee would be given due consideration by it. Does Ken wish to say something?

Mr Kenneth Macintosh (Eastwood) (Lab): Sorry, Mike. I was only waving my arms around.

The Convener: It is nice to know that you are awake.

Mr Davidson: It was my voice that clashed with Andrew's voice earlier—I wish to raise very much the same point. How much co-operation can we expect from the Executive in carrying out this exercise? Have we had advance notice from the Executive on its preparedness to allow us to investigate the subject with senior civil servants?

The Convener: No, but the clerk has informed me that the Executive is also examining its finance functions and therefore will be prepared, in that sense, to give evidence to the committee.

Mr Davidson: Perhaps I should rephrase the question. Does that mean that the Executive has agreed that we can speak to senior financial officials?

The Convener: I am not sure that the Executive has to agree that. If we ask for evidence to be given, I would expect whomever we request to be present to appear before the committee. If your question is, "Have we sought permission in advance?" the answer is no. Perhaps you anticipate difficulties that I do not foresee.

Mr Davidson: My answer is yes.

Mr Keith Raffan (Mid Scotland and Fife) (LD): That is not really the issue. If we decide to hold an inquiry, we make that decision and then follow it through. It would be extremely embarrassing for the Executive if it did not co-operate with that.

The Convener: Indeed.

Mr Macintosh: The strength of the report lies in the unanimity presented by members of the committee in drawing our conclusions. It would be difficult for the Executive, or anyone else in the Parliament, to disagree with the report if we showed that we had investigated in depth and were together in our conclusions.

Andrew Wilson: I just wanted to find out whether the Executive is already engaged in the process and whether we would be helping it.

The Convener: In a sense, we will be contributing quite naturally to the Executive's consideration of its finance functions, in terms of the way in which those functions are developing in the early stages of the Executive's existence.

Reports do not have the sort of force that you might have been suggesting, but the Executive would have to have strong reasons for saying that it would not take on board our conclusions.

Andrew Wilson: I just wanted to ask whether the Executive was aware—although obviously, it is—that we were about to undertake the inquiry and that we would engage in dialogue with it.

The remit of the inquiry seems to be fine to me. My only comment is that quite a lot of the Scottish Council Foundation's paper deals with whether

there should be joint Treasury-finance functions. At our previous meeting, we considered Treasury functions and the brief is quite right to say that much of that work should be done in dialogue with the Enterprise and Lifelong Learning Committee. By going off on the subject of finance alone, are we missing the point of having a discussion about a wider Treasury function? That is the Scottish Council Foundation's suggestion, and while I may or may not agree with that approach, there is a discussion to be had on that issue.

Mr Adam Ingram (South of Scotland) (SNP): To pick up on that point, the Scottish Council Foundation's paper was certainly interesting. The paper talks throughout about holistic government and measuring outcomes. The focus of the inquiry remit is rather too narrow, given the huge budget that is being allocated among various spending priorities. We should consider the impact of that spending on the real economy, or at least be informed about it. I suggest that we take that into account when conducting this exercise.

Mr Raffan: I tend to have a lot of sympathy with the point made by Andrew Wilson and Adam Ingram, that the focus of the remit is too narrow. Perhaps the emphasis should be on the financial side but, in view of the way in which the paper considers the structures as a whole, there is some sense in looking beyond the narrow remit. I am worried because I do not see how we could ring-fence or compartmentalise the remit so neatly, given that it could stretch out further.

Mr Davidson: I am of much the same view. One of the most valid comments in the Scottish Council Foundation's paper was that we must consider the Scottish budget in the context of the whole UK fiscal/Treasury scene. While focusing on the financial structures—given that we are about to approach the budget process and need to know intimately how the process is established and whether it can be tweaked—it is important that we are also aware of what comes through the budget papers on the qualitative side and where that sits in the UK economy. In common with my colleagues, I think that we should add some of the other suggestions to that approach as we go along.

Mr John Swinney (North Tayside) (SNP): I want to go back to the point raised by Adam Ingram and Andrew Wilson, on the significance of the proposed remit and whether it roams further and wider by going down the dangerous route of creating a turf war among the committees. For example, the issue of a Scottish economic strategy and the Executive's steps to formulate such a document, on which there is on-going consultation involving the Government's senior economic adviser, has been integral to the inquiry that the Enterprise and Lifelong Learning

Committee is currently undertaking. The Executive is trying to understand and to create an appropriate framework within which economic policy in general is structured and within which the Parliament sits.

The Finance Committee should be aware that that aspect of the debate is going on in other committees. There is clear common ground between the interests of the Finance Committee and those of the Enterprise and Lifelong Learning Committee, in terms of the way in which public expenditure is allocated to support the general direction of Government strategy. However, there is a wider economic dimension that has already been considered with some care by the Enterprise and Lifelong Learning Committee, whose inquiry will conclude in the next couple of months or so. The Finance Committee should be aware of that point of detail.

The Convener: As convener of the Enterprise and Lifelong Learning Committee, would you regard anything that the Finance Committee might do as overlapping that work?

Mr Swinney: It would depend on the remit, but in this proposed remit, there is no overlap. However, if the boundaries are stretched much further into the general treatment of economic policy, the Finance Committee will be in danger of covering some of the same ground that the Enterprise and Lifelong Learning Committee has examined, as it has approached the subject primarily from the point of view of the impact of economic development policy on economic policy in general. That is one way of looking at the matter and I am sure that the Finance Committee would approach it from a different point of view.

We should be trying to understand what an economic strategy for Scotland looks like, what it could do for Scotland and how different policy areas will fit in, as that touches absolutely every policy area that committees will consider. The Enterprise and Lifelong Learning Committee has started some work on that and, in the fulness of time, it will take evidence from the Government's senior economic adviser on that point.

I do not make these comments in order to be territorial or to suggest that the Finance Committee has no locus in this area. I am saying simply that that work is under way and that the Enterprise and Lifelong Learning Committee will take some steps along that route in the near future. However, input from other committees, including the Finance Committee, will be important in that debate.

Andrew Wilson: I will lock horns with John, my colleague and mentor.

Mr Swinney: That should be entertaining for you all.

Andrew Wilson: While John is correct, we are considering something a bit different and do not want to get our teeth into the area that he outlined, which, as the briefing paper says, is the function of the Enterprise and Lifelong Learning Committee. It is a subtle difference—what is the role of the finance department within the Executive's Administration and does it have wider Treasury functions? That is why we need a dialogue with that committee. While my inclination is not to do this, if our inquiry is to be rigorous, we should consider the full detail of the Scottish Council Foundation's paper.

We should consider other issues, such as revenue raising. The paper touches on the tax-varying powers, but an inquiry into Treasury functions, which examined only the finance side, would also consider business rates, council tax and the charges across every department. Then there are the wider questions about the impact of spending on the economy, which should lead to a dialogue between the two committees. I am concerned that we are going off down an alley that is too narrow. Perhaps we should have further dialogue with the Enterprise and Lifelong Learning Committee, and/or invite the Scottish Council Foundation to an early meeting of the Finance Committee, so that it can explain its thoughts on the distinctions between the two committees' roles, before we engage in the process of an inquiry.

The Convener: It would be helpful to invite a representative of the Scottish Council Foundation, given that its paper must be a year old. As members will see, it reflects seminars that were held in the middle of 1998 and it was presented, I think, in April of last year. It would be helpful to have an update, which could take account of events that have taken place since then, in terms of the Scottish Council Foundation's proposals that the Parliament should not follow the Treasury model of having one committee with a remit for finance and economics, or on the role of the Chief Secretary to the Treasury and so on. It might be useful to have that at the start. It might even be worth doing before we agree on the remit.

10:00

Mr Davidson: We need advice on what we should be considering. Presumably, the clerks have already drawn up a list of prospective witnesses. Perhaps we can discuss that today.

Mr Macintosh: I do not think that there is much disagreement around the table, apart from a few obvious ones.

Mr Swinney: Those are just the ones that you see in public.

Mr Macintosh: We do not want to duplicate the

work of the Enterprise and Lifelong Learning Committee but I would like to add a sentence to the document. The document should say that the investigation will have regard to the wider economic policy pursued by the Executive. That is a vague form of words but, given that the convener of the Enterprise and Lifelong Learning Committee is a member of this committee, it should be possible to avoid duplicating work.

George Lyon (Argyll and Bute) (LD): Will we examine ways in which the Scottish Parliament can raise extra funding and the impact that that would have on the settlement that is given to Scotland each year? I am thinking of things such as borrowing consents to local government and specific charges to raise extra finance. Such matters are important to our understanding of how local government will work.

The Convener: That might be possible as we are expanding the remit a good deal. We originally planned to conduct a brief inquiry, but we are broadening it considerably. The budget process is about to start and we do not want to stray into that area in the first inquiry.

Dr Richard Simpson (Ochil) (Lab): The distinction between the Enterprise and Lifelong Learning Committee and this committee is important. We should, however, be able to find a form of words that says that we are examining the Executive's function.

Elaine Thomson (Aberdeen North) (Lab): Given that we want to have a short inquiry, there is much to be said for having a tight remit. As there is a potential for overlap between this committee and the Enterprise and Lifelong Learning Committee, we should consider other aspects of the matter.

Mr Raffan: I see the problem in terms of time; it is important that we keep the remit narrow. We can flag up issues that we can examine later. If we broaden the remit too much, we will end up having forgotten the evidence that we took by the time we get round to writing our report. House of Commons select committees often find themselves in that position.

We have encountered a problem that we will have to deal with again. The overlap will occur not only with the Enterprise and Lifelong Learning Committee. For instance, Andrew Wilson mentioned business rates, which might overlap with the work of the Local Government Committee, which has been examining that issue. We have to communicate with other committees to ensure that they do not feel that we are trespassing on their areas.

David Davidson mentioned that he thought that there would be a list of potential witnesses. I thought that he was going to ask for a list of

specialist advisers. It might be useful to get an adviser before we decide on our remit. I am in favour of getting advisers in as early as possible, as they can be useful in focusing inquiries.

The Convener: You will have noted that the clerks suggested that we might not need specialist advisers if the inquiry is to be short. If the inquiry is expanded, we might need them.

Rhoda Grant (Highlands and Islands) (Lab): I agree that we should keep the remit narrow. However, we could ask other committees that are conducting inquiries into aspects of Treasury functions to give us copies of what they are doing. That would let us examine everything together and let us decide what to do after this inquiry.

Mr Ingram: I have a few words that could be added to the opening paragraph, so that it would read: "As the Parliament and Executive prepare to embark on the first full annual budget process, the Finance Committee considers it appropriate that its first inquiry should examine the structures for financial management, control and allocation of public spending by the Scottish Executive and that these are appropriately linked to the delivery of the Executive's policy priorities in the context of actual and anticipated conditions in the Scottish economy."

That is a bit of a mouthful, but it would ensure that we examine not just the cheeseparating aspect of the Treasury functions.

Dr Simpson: I have a slightly shorter form of words. We could delete the final "and" in the last sentence, insert a comma after "public spending" and insert "and mechanisms for directing Scottish economic policy". That would ensure that we were not examining the economy.

Andrew Wilson: The point that I made originally was what Richard has just said. We want to examine the function and structure of the department rather than wider policy issues that affect other committees. We need to come up with a form of words that says that we will consider the other Treasury functions that it would be appropriate for the finance department to have. Should the finance department examine only finance or does it have a wider Treasury function? That is the point of the Scottish Council Foundation paper and would widen the scope of the inquiry a little. Perhaps the clerk could suggest a form of words that would be agreeable to everyone.

Dr Simpson: Perhaps the form of words that I suggested could refer to "Treasury functions for directing Scottish economic policy" rather than "mechanisms".

The Convener: How would the sentence then read?

Dr Simpson: It probably does not make sense grammatically, but it would read: "As the Parliament and Executive prepare to embark on the first full annual budget process, the Finance Committee considers it appropriate that its first inquiry should examine the structures for financial management, control, allocation of public spending, and Treasury functions for directing Scottish economic policy by the Scottish Executive."

"By" might not be the right preposition any more, but I am sure that our excellent team can find the right preposition for the sentence.

Andrew Wilson: I have to say that we should consider whether the Executive should be directing economic policy. By including "economic policy" in the text, we are directing the inquiry. Quite rightly, John Swinney was concerned about that.

Mr Davidson: Richard Simpson's first sentence included the issue of the ability to measure outcomes, whether in policy terms or in another way. That is important, as the outcomes are missing from the model. At the moment it is all just hard numbers, which allow the model to be audited but which do not reveal whether the spending has allowed policies to be delivered.

The Convener: There seems to be general agreement that we should extend the remit slightly into the realms of economic policy, bearing in mind what John Swinney said about what the Enterprise and Lifelong Learning Committee is doing.

I will ask Sarah Davidson and her colleagues to come up with a suitable form of words. As we might not meet next week, the wording will be circulated to members, who will be able to give their views to Sarah at that point.

It was suggested that we might not need specialist advisers. However, if the remit is broadened, we might. How does Sarah feel about that?

Sarah Davidson: The decision is entirely up to the committee. We had thought that, as there was a fairly small pool of people who would be witnesses in the inquiry, it might be useful not to tie any of them to the committee but for the committee to hear what various people had to say.

If committee members felt that it would be helpful to have a specialist adviser—whether they were from the Scottish Council Foundation or someone who was involved in the discussions that led to the preparation of the paper that you have before you—that would be possible, bearing in mind that we are already looking for an adviser to help with the budget process.

Mr Raffan: I feel strongly that we should have a specialist adviser because the inquiry could

become technical. It would be useful to have someone who could suggest lines of questioning that we, as laymen, might not be quick to spot. I am sure that we get excellent advice from the clerks and the Scottish Parliament information centre, but an adviser would help to ensure that our questioning was rigorous.

Mr Swinney: I take a different view from Mr Raffan. The decisions about structures are political ones that have been arrived at by ministers in the context of the structure of the finance operation in the Scottish Executive. We have to take a similar approach.

We often allow inquiries such as this to become overly technical. We have to think about the manner of approach and the type of information that are appropriate for political decision making in Scotland. That is more important than the technicalities of the issues. If we look at those points of detail—the arcane Scottish Office technicalities that have been replicated in the Scottish Executive—the inquiry could take for ever. We have to approach the issue from the point of view of members of Parliament or other people who are accessing the Scottish Executive for guidance on the formulation of policy and who want to make decisions on financial issues.

The Convener: I do not want to spend too much time on the issue of a specialist adviser. Should we get the clerks to draw up a list of potential advisers?

Elaine Thomson: Could the specialist adviser who will assist us in the budget process also help us with our short inquiry? The area of expertise involved is likely to be the same.

Dr Simpson: I support that suggestion. Finance has not been my strongest area in the past and, although I am learning fast, having an adviser at this stage would help us understand some of the technical language and convolutions in the system.

The Convener: We would have to get someone who was prepared to broaden their advisory role.

Andrew Wilson: We could simply ask Graham Leicester, who wrote the Scottish Council Foundation paper, to assist us. The issues involved in the inquiry are quite different from those involved in the budget process. We are talking about the structure of the civil service. We could send him or one of his colleagues a copy of the *Official Report* of this meeting and ask them to give a presentation at the start of the inquiry.

The Convener: I would like to clarify the fact that we pay for special advisers. On what basis are we inviting Graham Leicester?

Andrew Wilson: To speak to his paper.

10:15

The Convener: That is fine. Sarah and her colleagues will circulate a suggested wording that we will be invited to endorse so that we can get a work plan for our next meeting, or a meeting in two weeks' time. Is that reasonable?

Members indicated agreement.

Budget Process (Operational Framework)

The Convener: Item 2 on the agenda is on the annual budget process. Members will have received a copy of the paper, "Framework for Subject Committees' Stage 1 Reports". For illustrative purposes, a copy of an extract of the health department's report of last year is attached. I invite members to comment on the content of the paper, which contains two sections on questions that each committee may be asked.

Andrew Wilson: Would we be asking about departmental aims? Why would we do that? What is the thinking behind that?

The Convener: Each committee has responsibility for the corresponding department of the Scottish Executive. The committees are being asked to comment on their remit in the context of each department's role.

Andrew Wilson: But why is that part of the budget process? I know this sounds arcane, but are we missing the point by following department routes rather than focusing on such issues as policy outcome?

The Convener: I am surprised that you are asking, Andrew. It seems fairly clear that each subject committee has a remit for its part of the budget as proposed. Perhaps I am missing something. If so, Sarah Davidson will point it out.

Sarah Davidson: This approach has its origins in the recommendations of the financial issues advisory group report: it is the role that FIAG envisaged the Parliament playing at stage 1. It was proposed that departments should set out their aims clearly and that the subject committees should comment on them and on the finances that they felt should be available to support them.

Dr Simpson: Matters are, perhaps, clearer if we refer to aims and objectives—objectives are involved in targeting. Paragraph 5.17 of the health department document talks about objectives and performance. That is the type of information we want: we want to know what departments are setting up—and that is what the questions in the budget process paper are about.

Mr Raffan: I am in favour of asking about aims, because they can affect spending priorities. I am worried about the wording of some of the questions. I would be grateful if Sarah could clarify question 4, on whether the aims "support accountability". It seems a bit confusing.

I do not like phrasing such as "sufficiently clear" in question 3, or "sufficiently challenging" in question 6. It is highly subjective. If we are going

to ask questions, they should be direct and as specific as possible. I know that it is difficult to tie terms down: "sufficiently challenging" may mean to one person what "very easy" means to someone else.

The Convener: It is important to remember that the questions were drafted following our report on level 2 figures in December. They are not set in stone in any sense.

Mr Raffan: Could I have clarification on question 4?

Sarah Davidson: It reflects the idea that if a department sets out aims and objectives, there should be a clear audit trail of those aims and objectives so that at the end of the year a committee, or anyone else, can hold the department accountable to them. The extent to which the setting out of the aims and objectives enables that line of accountability to be followed is important.

Mr Raffan: The questions need to be clear, perhaps at the risk of being slightly longer.

Mr Davidson: On question 4, on whether the aims support accountability, it might be better for the subject committees if the question were, "Are these targets appropriate?" The subject committees are examining the meat and bones of what the department is trying to achieve. Committee members with an in-depth knowledge of whatever matter it might be—how many teeth are pulled in a year or whatever else—will look at the data and outcomes from the various departments. The appropriateness of the target is then married in financial terms to a budget. That is for those committee members to deal with, on the qualitative side a bit more than on the quantitative side.

I thought that the questions were quite good. They set the subject committees a frame for thinking about the budget process that is not necessarily based just on numbers. It is partly based on the hoped for outcomes.

The Convener: It occurred to me that we might have some discussion about whether committees might want to vary the planned expenditure within their departmental remit. There is not a question that invites them to do that, although I suppose that one may be stretched from question 1 of section two, on planned current and capital expenditure. If we do not ask a specific question on that, would we just expect committees to add thoughts on certain areas of the budget being reduced or extended to their response?

Sarah Davidson: One difficulty for the committees is that their last level 2 figures will be expected outturn figures for the previous year. While we think that that is a good place for

committees to start, it could be better for them to propose actual variations later in the year, when the figures come out in September. It is up to individual subject committees to take a view on that.

The Convener: We will not specifically invite subject committees to comment on variations in planned expenditure. If they want to do so, they will. I assume that we are inviting the committees to answer certain questions, but that is not proscriptive: if they want to add further comment, they are at full liberty to do so.

Dr Simpson: I am not sure whether we want to go into the questions in detail but, putting my subject committee hat on, I would like to suggest, for question 6—

“Are these targets sufficiently challenging?”—

that we use “realistic”. Goodness knows where some of the health targets have come from or whether they are realistic.

I have several comments to make on the section two questions. I really detest the term “efficiency savings”, which is used in question 2. Like much terminology, it has become associated with cuts. It should be about redesign and transfer. We perhaps have to leave the phrase in at the moment, but I make a plea that, in the short and medium term, we seek different terminology that covers re-engineering and redesign.

I think that there should be a question in section two on any proposed invest-to-save programmes and on whether the department concerned has comments on them. One thing that is clear from all the papers that I have read is that there has been a tendency to think in the short term. If the savings are going to appear in year five or six beyond the current spending round, there is a tendency to conclude that it is not affordable and should not go ahead. The result is that people are sitting with the same problems 20 years on because they have failed to invest. I think, therefore, that we should be encouraging the subject committees to consider investment to save.

There is no comment in the document about research and development. For some subject committees, that is an integral part of the departmental approach to things; if a proper research and development approach is not developed, we will not make progress.

Beyond that, we should consider what pilots are being run. There is a terrific amount of challenge funding, excellence funding, beacon projects and so on. A plethora of similar terms is being used. It is a source of considerable concern to the people trying to manage and operate our systems that funds are often requested at very short notice. I do not want to go into the details of that, but I would

like to see included among the questions something about the process moving from research and development to pilots to roll-outs. Are departments considering research in that way? When departments consider doing a piece of research, what forward thinking and programme—if the research proves to be appropriate and if the pilots then work—do they have to roll the pilots out if they are effective? Unless we see clear programmes developing, we have lost something. We should ask committees to consider that.

My last point is on roll-over expenditure. Thank goodness we have moved away from the business of laying new carpets in every school and hospital in March in order to spend budget allocations. We need to understand, and the subject committees need to tell us, how much roll-over funding there is. In other words, is the expenditure side that we are proposing realistic for a year? If the roll-over expenditure is high and it is then captured by the Executive for pet projects that we do not get to discuss, we will have missed an opportunity.

What I have proposed would require a series of three or four additional questions.

The Convener: You have made some substantial points—there is quite a lot of meat in what you have said. I hope that the clerks have managed to note those points down. Is anyone uncomfortable with any of Richard Simpson's suggestions?

Members indicated disagreement.

Mr Davidson: Richard has started to go into an area that we and the subject committees need to think more about. I think that committees should examine the top-slicing of ring-fenced money. A huge amount of that is going on. The fact that it goes on on a short-term basis upsets long-term planning for hospital trusts, academic institutions and others. All of a sudden, the money that they assumed was available—the Scottish Council Foundation's paper touched on this—is not available.

Money is being clawed back with one hand and delivered with another. It is not new money. That upsets management at local level. There should be a question about the central control and local control of funding. The other thing that is not dealt with in section 2, which ought to be mentioned, is the use of funding streams other than from the public sector. They make a major contribution and have a huge effect on planning.

On a more internal point, there is no mention about cross-budget movement, or about the cross-committee activity that might produce it—for example, something the Enterprise and Lifelong Learning Committee might do to prevent some money being spent under another committee.

We need to understand that when a budget comes out, it is lodged in a committee's area and left there. In proactive management, the connections between committees need to be considered. It is important for us, at this early stage, to ask committees to consider that. I am not suggesting that they come up with a firm view, but that they consider how such cross-committee consideration might affect them.

I reinforce the need for another look at the year-end accounting procedures and the reporting procedures. If a lot of budgets are rolled forward on specific programmes, there is a risk that the money for those programmes may simply be relabelled and lost in the circuit. There is already evidence of that in public services in Scotland, and this committee ought to examine that.

Mr Raffan: David has raised an important point about cross-cutting. The budget to tackle drug misuse illustrates that: a ministerial group involving ministers from communities, education and children and health and community care, and convened by the Deputy Minister for Justice, has been set up. Four departments are involved, but no parliamentary committee matches that cross-cutting ministerial group. How do we deal with that?

Secondly, I would like to support your point about variation, convener, and its being included at the stage that you suggest. I also take Sarah Davidson's point about outturn figures and the lack of knowledge about them. We could perhaps ask an additional question in September—whether committees' answer to the question in April remains the same.

The Convener: In the light of events.

Mr Raffan: The earlier we get that information, the better.

My third point is on the process. I am perhaps jumping the gun, in which case I am sure you will stop me, convener. Looking at the timetable, I see that committee clerks and conveners will be briefed in February. Will the questions get to the subject committees in March? Will the committees be expected to respond by a certain time? When we get the written evidence back from the committees, what is the process whereby we can take oral evidence or question them about it? Do we ask them to appoint a rapporteur, for example?

The Convener: You are perhaps running a bit ahead, Keith, as that is not on today's agenda, but I think that we will have to consider your questions, which cover important matters, once we complete our present consideration.

I note that paragraph 2 of the annual budget process document says:

"It is intended to brief Clerks to Committees in the first

week of February; Conveners will be briefed shortly thereafter."

I understand that that includes all clerks and all conveners, including myself.

As an aside, I would have thought that the Equal Opportunities Committee, despite not being a subject committee, has an interest in ensuring that budgets are audited, as it were, to take account of equality in the broadest sense. Are we allowed to include that committee in this process? Am I correct in thinking that we are not restricted to approaching subject committees only?

Sarah Davidson indicated agreement.

The Convener: I think we should contact the Equal Opportunities Committee; I do not know whether any other non-subject committees want to be part of the process.

Andrew Wilson: My general concern is that we are seeking to do too much and are heading into the realms of policy issues that may or may not be of interest to members of this committee. When we look again at the list, after Sarah Davidson has revised it, we might want to keep control of that aspect.

10:30

Is David Davidson's point about devolved management covered in question three? I would like to endorse David's second point about income streams. Perhaps we want to ask each committee what income streams it has under its control and whether they can be altered. Obviously, some income streams will not be retained by the department, but it is still worth considering.

I support Keith Raffan's point about the variation. We should ask people whether they are getting enough money. The tendency will be for them to say that they are not getting enough, but we should be aware of their position.

The Convener: It is not just that. If there are proposed alterations, it must be clear where the money will come from.

Andrew Wilson: Yes, but there is a wider question about how much the committees think is required—the debate on health is a case in point.

Richard Simpson's point about efficiency savings was well put. Perhaps we should ask committees, when savings are required, to consider to what extent cuts, redesign or other methods of value release meet them. That is very important. I do not see much evidence of a comprehensive approach to that.

I want to raise the issue of what information we give committees. I have always felt that the departmental reports were okay, but not as full as we might like. We have asked whether committees

are getting enough information in the breakdown of figures, but perhaps we should be seeking to give them that in the first place. Should we not try to get the Executive to supply the information on inflation—which is mentioned in the second question of section two—as we discussed at the last meeting?

Dr Simpson: Section two refers to capital expenditure, but capital release is also important. I know that that matter is partially reserved because capital release tends to go back to the Treasury. Nevertheless, the release of capital should be seen as part of the department's plans so that we can question the Executive on the relevant negotiations with the Treasury.

George Lyon: I agree with Richard that the roll-over expenditure is crucial and that we should identify alternative income streams, but research and development and pilot projects are policy areas, rather than financial areas.

Mr Swinney: The issues that Richard has raised are enormously significant. We must recognise that there must be some reconfiguration of services to adapt to changing requirements and financial pressures. Unless we begin to structure the debate across all service areas and investigate how those changes will happen, it is hard to see how some of the enormous issues with which we are wrestling—as a member of the Health and Community Care Committee, Richard will be familiar with the situation in Tayside—can be addressed within the current policy framework, because of the scale of the financial pressures involved.

We must encourage subject committees to inform the debate, to develop the structures for policy making to allow those service changes to come about. If we do not take that lead in terms of our own process, the common approach will be simply to take last year's figures and add 1.5 per cent, which will add no value to any policy-making process. We should try to create a structure that will set a standard for departments and subject committees, to ensure that policy making is relevant to the current financial conditions.

The Convener: Are there any further points?

Mr Davidson: The question about whether committees are satisfied about inflationary pressures should be more specific. It should ask whether the committee is satisfied that the inflationary indices that are used are appropriate to the function. It is clear that the standard gross domestic product deflator cannot be applied across everything—it is a composite figure. If that is the figure that is delivered for the committee's activities, many public service organisations will find it impossible to meet the political demands laid upon them. That is an area on which each

committee should focus specifically.

The Convener: The question is asked whether a committee is

“satisfied that it understands the factors which underpin the figures”.

Your point could still be included in that question, David.

Mr Davidson: I would like it to be firmer.

The Convener: Yes, that is important.

Dr Simpson: I was going to mention the deflator. We have just had an announcement by the nurses pay review body which has a huge effect on the health budget. That is announced in January, to be applied in April, to a budget that we have already decided. We must talk about changing the way in which we do things in Scotland—perhaps we need separate review bodies or mechanisms.

Mr Swinney: If we take the example of Tayside, this year's problem is driven by the hangover from the previous year's pay settlement and there are even greater pressures for next year.

Andrew Wilson: Following the announcements that have been made on a range of topics over the past few days, I am unclear about what is being decided. Is it appropriate for the convener of the Finance Committee to ask for some feedback about what is happening in terms of health finance?

The Convener: Did you not watch “Breakfast with Frost”?

Andrew Wilson: I did, but I am still unclear about our budget. I would be very surprised if our budget increased by 5 per cent in real terms next year.

The Convener: That is an important point, but is not for discussion just now.

Andrew Wilson: Can we do something on that?

Mr Swinney: It raises an interesting point about the Finance Committee's ability to scrutinise budget developments properly. Where is the money coming from? That is a taunt that is frequently thrown at me from several quarters; perhaps it is appropriate for the Finance Committee to throw it back at the Executive.

The Convener: The Minister for Finance will represent the Executive at the committee two weeks from today.

Andrew Wilson: On what?

The Convener: On the budget. I am sure that there will be an opportunity for such questions at that point. I want to come back to the questions under discussion.

Mr Raffan: I strongly support what Andrew and John have just said. The committee must be nimble. When things come up suddenly—whether on “Breakfast with Frost” on a Sunday or anywhere else—it is important that we act rapidly and ask for clarity. That is what we are here to do. I do not want to talk about taunting the Executive—John used an unfortunate phrase—but I want to seek clarity about how the figures that are being tossed around impact on the Executive’s spending.

The Convener: We will have that opportunity in a couple of weeks’ time.

Mr Swinney: I apologise for talking about taunting the Executive—that is something that I would never do. Indeed, I have to restrain my colleagues from doing that.

The Convener: That will be reflected in the *Official Report*. We have given wide consideration to the questions; we will expand and amend some of them. I thank members for their suggestions. It will be important to evaluate the effectiveness of the questions in the first full year of the budget.

Scottish Parliamentary Corporate Body (Written Agreement)

The Convener: Members will recall the discussions that we had in December on the draft agreement between the SPCB and the committee. I invite questions on the draft. In my opinion, paragraph 9 is the only one that causes concern. It is worded rather tendentiously and I think that it should be loosened, as it seems to go too far in favour of the SPCB.

Andrew Wilson: I agree. My main concern, as I have said before, is that the Finance Committee should, if not sign off, at least express some view on, the SPCB budget in advance of the Executive budget. How does the date of 1 March relate to the Executive’s plans? The concern was the possibility of a bun fight between the SPCB and the Executive. If we go through the SPCB budget in advance, that would be very helpful.

Mr Raffan: I am concerned about paragraph 9 too. We ask the Executive for level 2 or even level 3 figures, but we seem to be getting only level 1 figures from the SPCB—we cannot let it off with that.

Mr Davidson: I agree. I cannot agree to the phrase

“More detailed expenditure plans are properly a matter for the SPCB itself”

because that has a direct effect on what we can spend on public service.

Andrew Wilson: If it were the Executive, we would be pinning it down.

The Convener: In fairness, we made some of those points when Robert Brown gave evidence. None the less, the paragraph seems to be too tightly drawn.

Mr Davidson: Does the SPCB produce monthly management accounts?

The Convener: I do not know.

Mr Davidson: It would be very useful if they could be circulated to us. We could then add an item to our agenda and deal with it in committee if necessary. We must be seen to have much more of a watching brief.

Mr Raffan: That might be a matter for the Audit Committee. Presumably the SPCB is subject to the Audit Committee—it is obviously trying not to be subject to anybody.

Mr Davidson: I do not disagree about the Audit Committee’s role, but that is a matter for that committee.

Andrew Wilson: I do not think that it is a matter

for the Audit Committee, the remit of which is to consider National Audit Office reports.

Will the Executive's budget come to us before 1 March?

Sarah Davidson: Yes.

Andrew Wilson: How far in advance?

Sarah Davidson: One month.

Mr Raffan: Will we get a redraft of paragraph 9?

The Convener: Yes. We are saying that comments such as

"More detailed expenditure plans are properly a matter for the SPCB itself"

and the use of the adjective "reasonable" in the second last line are questionable.

Andrew Wilson: I suggest that we delete from the comma in line four after, "submitting expenditure plans" to the end and insert, "provide the maximum amount of detail available." I see no reason for the rest of it.

The Convener: Do you also want to delete, "concentrate on the strategic level"?

Andrew Wilson: Yes. What does it mean? The paragraph would then read: "The SPCB will, in submitting expenditure plans, provide the maximum information available". We are trying to be helpful to it.

10:45

George Lyon: Just take the rest out.

Andrew Wilson: Yes. What is the point?

Mr Raffan: I agree—it is outrageous, quite frankly. The SPCB has to trust us.

The Convener: I suspect that it will not accept that rewording, but we may get a rewording that is more acceptable to us.

Elaine Thomson: I am not entirely convinced about that wording. I see what Andrew is getting at, but saying "the maximum information available" could result in us being given rather more detail than we would want.

The Convener: Also, the word "available" is rather subjective, is it not?

Mr Swinney: In submitting its expenditure plans, the SPCB should provide the same type of information that the committee demands of the Executive.

Andrew Wilson: Perhaps the SPCB should be made more aware that we are trying to prevent conflict. It is better if any details come before us.

Mr Macintosh: Why is the paragraph drafted like that? What is the reasoning behind it?

The Convener: I can only speculate that the SPCB wants to keep as much information to itself as it can.

Mr Macintosh: It was not a negotiated document.

Members: Who wrote it?

Sarah Davidson: The SPCB.

The Convener: It is from the SPCB, following on from the evidence that it gave. In fairness, paragraph 9 very much reflects what Robert Brown said when he spoke to us. Andrew's proposal—or John's, if we are taking it one step further and asking for the same information that we expect the Executive to provide—will be our response to this. I suspect that the SPCB will say that our suggested rewording is not acceptable and that we will arrive at a wording that is a bit better than this.

Mr Swinney: We should make it clear, in the gentlest and most supportive way possible, that if £16 billion is being spent in Scotland, we want to be able to scrutinise every penny of it in the same fashion. If we impose a certain standard on the Executive, we must impose the same standard on the SPCB. I would like to impose the same standard on the slice of the consolidated fund that goes to the Secretary of State for Scotland, although that is another issue. If the SPCB wants the support of this committee in its legitimate parliamentary work—and I am all for that—we must be reassured that we are acting in a way that is fair to the Executive as well.

The Convener: We will say to the SPCB that we expect the same information from it as we do from the Executive and await its response.

Mr Davidson: There is a risk that a dramatic cutback in the budget will produce a Parliament complex that is unworkable. We have to be sensitive to the SPCB and say, "Look, it may well be that you have to spend to save in the long term. You have to consider the maintenance and so on." As Richard Simpson said, it needs us as an ally.

The Convener: It will be clear from reading the report of this meeting that we are putting forward such a suggestion.

Mr Swinney: We will all have constituents who write to us, demanding information about, for example, the cost of the Holyrood building project. I have received a number of letters from constituents, raising legitimate concerns on that subject. I want information that I can use to reassure my constituents that such issues have been properly considered.

Dr Simpson: It works both ways. For example, I have received letters saying: "What is this about using Chinese granite? It is a disgrace. We must

have Scottish granite in our Scottish Parliament." It would cost a bit more, but our job as our constituents' ally should be to support them and to say that if there is to be any granite in the building, it should be Scottish.

The Convener: We could always recall the Scottish granite that built the Houses of Parliament.

Mr Swinney: I have to tell you gently, convener, that that will not do you any favours. [*Laughter.*]

The Convener: We have arrived at a fairly clear position, and we will see what the SPCB says in response.

Deputy Convener

The Convener: Members will be aware that the Parliament agreed in December that deputy conveners should be allocated to various committees on the basis of parties. It is agreed that the deputy convener for the Finance Committee should come from the Labour party. I invite nominations.

Mr Macintosh: I nominate Richard Simpson.

Andrew Wilson: I second that.

The Convener: Any further nominations?

Dr Richard Simpson was elected deputy convener by acclamation.

Andrew Wilson: Maybe Richard would like to speak about his plans for the job.

Dr Simpson: Discreet silence is appropriate. I thank the committee for its confidence.

The Convener: There was some question about whether next week's meeting would be necessary. Sarah, would you like to elucidate?

Sarah Davidson: It is possible that we may have an insufficient number of items to justify a full agenda next week. If people are happy with the proposal, we may not have a meeting until a fortnight today.

Andrew Wilson: Would next week be an appropriate time to consider what is going on with the health budget? It would not take long to have a brief dialogue with someone about that.

The Convener: We will be meeting the Minister for Finance the following week, which is surely the best opportunity to raise that specific point. If we had not scheduled such a meeting, I would have said yes.

Mr Davidson: I agree. We need to get the facts sorted out, rather than just taking the minister head on. We could use the meeting as an opportunity to do some housework, or whatever is required, so that when the minister comes, we are prepared for him. However, someone from the Scottish Council Foundation could talk to us for three quarters of an hour or so, to help us to clarify where we are going with our inquiry. I am conscious that time will run out for us soon.

The Convener: At such short notice, few of the people that we might want to hear would be available at the drop of a hat.

Mr Raffan: I share Andrew's concern and suggest a compromise, which is to get some kind of written evidence on health expenditure in advance of the minister's visit. It might be useful to have some kind of detailed submission on the

exact figures, as so many are being tossed around. When the Prime Minister is shown a headline on "Breakfast with Frost", and not even he knows where the figure comes from, we are entitled to ask.

The Convener: Written evidence could be supplied before the minister appears before us.

Mr Swinney: I support what Keith has said. It would be useful to have written information on the health budget, to consider dispassionately. I sympathise with the clerk's concern that it is difficult to summon people at a week's notice on a subject of this nature. We have to do it properly, so I support that as a fair compromise.

The Convener: Is that agreed? Sarah, would it be possible to get that sort of information?

Sarah Davidson: Yes.

Andrew Wilson: So there is no meeting next week?

The Convener: We will not meet next Tuesday. Our next meeting will be in two weeks' time. Thank you for your attendance.

Meeting closed at 10:53.

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