

# **FINANCE COMMITTEE**

Tuesday 8 February 2000  
(*Morning*)

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## FINANCE COMMITTEE

### 3<sup>rd</sup> Meeting 2000, Session 1

#### CONVENER

\*Mike Watson (Glasgow Cathcart) (Lab)

#### DEPUTY CONVENER

\*Elaine Thomson (Aberdeen North) (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)

\*Andrew Wilson (Central Scotland) (SNP)

\*attended

#### WITNESS

Mr Graham Leicester (Scottish Council Foundation)

#### CLERK TEAM LEADER

Sarah Davidson

#### SENIOR ASSISTANT CLERK

Callum Thomson

#### ASSISTANT CLERK

Alastair Macfie

#### LOCATION

Committee Room 1



## Scottish Parliament

### Finance Committee

*Tuesday 8 February 2000*

*(Morning)*

[THE CONVENER *opened the meeting at 11:00*]

**The Convener (Mike Watson):** I welcome everybody to the meeting. The agenda has two distinct parts: the written agreements and the evidence from Graham Leicester of the Scottish Council Foundation. Sarah Davidson advises me that Graham cannot be here until 11.30 am so, depending on how long the first item takes, we may have to have a brief adjournment.

### Written Agreements

**The Convener:** First, we will consider the letter from the Minister for Finance, FI/00/3/1, dated 31 January, which was in response to my letter of 20 December, FI/00/3/4, on the written agreements.

In the second paragraph of his letter, the minister deals with the draft agreement on the budgeting process. We should not have any difficulty with that, because he has incorporated in paragraph 14 of the draft agreements the changes that we sought. I imagine that I am not taking a huge leap in suggesting that the committee needs to take no further action on that.

**Mr Kenneth Macintosh (Eastwood) (Lab):** The gist of the minister's letter is to accept our recommendations. At the end of the letter, he promises

"that all the agreements on financial procedures should be reviewed in the light of experience."

The minister's attitude is that he is willing to do what we suggested.

**The Convener:** The last paragraph of the letter circumscribes the whole process on agreements and is very helpful.

**Andrew Wilson (Central Scotland) (SNP):** Sorry, I am slightly late. Have you just said that you think that Jack McConnell's letter meets our requests?

**The Convener:** He meets the first request. It is what we suggested in my letter of 20 December.

**Andrew Wilson:** This is the paragraph on the Scottish Parliamentary Corporate Body?

**The Convener:** Yes.

**Mr Macintosh:** The minister said that he would

put the figures in cash terms and that he would give the real-terms figures at the same time.

**Mr David Davidson (North-East Scotland) (Con):** In paragraph 4 of his letter, and again over the page, the minister comments about where he might place information. In the interests of good management and a good relationship between the minister and the committee, that information should be sent to the clerk of this committee, so that she can circulate it and the committee can stand over the flows of information. It should not be put into the pond of loose information in the Scottish Parliament information centre.

**The Convener:** Are you asking for a special arrangement whereby members of this committee have the information circulated to us by the clerk? That seems a reasonable request.

**Mr Davidson:** It would put an obligation on the minister automatically to send that information to the committee clerk.

**The Convener:** That is what we will ask him to do. The papers will still be placed in the information centre, but we will ask that Sarah Davidson be sent a copy so that we are fully aware of it as soon as possible.

**Andrew Wilson:** Our request for the information to be included in the budgeting or supporting documents has still not been met. Jack McConnell seems to be making the same suggestion as he did at the start of this process.

**The Convener:** Do you have a copy of my letter of 20 December?

**Andrew Wilson:** Yes.

**Mr Keith Raffan (Mid Scotland and Fife) (LD):** In his letter of 20 December, the convener stated:

"We concluded that the information we had initially requested is potentially of considerable interest and value to Members of Parliament, organisations funded by central Government and the public alike."

In the arrangements outlined in the minister's letter to the convener, the minister says that he will make the information available to members of Parliament. Nevertheless, the public and organisations funded by central Government will find it difficult to access that information.

**The Convener:** In my letter of 20 December, we asked that

"the phrase 'but the Executive may table a motion to discuss these if it thinks it necessary', be deleted."

**Mr Raffan:** We are talking about two different issues.

**The Convener:** Are we on the agreement on the budgeting process?

**Mr Raffan:** We are at cross-purposes. I am talking about paragraph 4 of Jack McConnell's letter to you.

**The Convener:** I thought that Andrew Wilson had gone back to the agreement on the budgeting process. I apologise.

**Andrew Wilson:** I was on paragraph 4 of Jack McConnell's letter as well. I beg your pardon. Have we agreed on the paragraph that refers to the Scottish Parliamentary Corporate Body?

**The Convener:** I suggested that we were agreed on the first matter, as the minister has acceded to our request on that, but he has not agreed to our request on the second matter.

The committee must decide what it will do. I thought that paragraph 6 of my letter contained the unresolved matter, but Keith Raffan is saying that it is in paragraph 4.

**Mr Raffan:** Jack McConnell partly accedes to the request in your letter of 20 December. The budget plans in real terms will be made available to MSPs, but they will certainly not be easily accessible to

"organisations funded by central Government and the public alike."

The plans will not be available in published form, which was what we requested.

**Andrew Wilson:** This issue has now been raised three times and the minister has taken no cognisance of the committee's views on it or on private finance initiative contracts. The minister's position has not changed.

**Mr Macintosh:** Are we discussing the publication of the figures in cash terms and real terms?

**The Convener:** Yes.

**Mr Macintosh:** In paragraph 3 of his letter to the convener, the minister states:

"This would mean that this year, the Budget documents will be in cash terms and subsequently would contain resource figures, again expressed in nominal terms."

In the following paragraph, he states:

"I am entirely comfortable with the idea of the Executive making available, separately from the formal budget documents, but at the same time,"

real-terms budget plans and year-on-year comparisons showing percentage tables. He is going to make them available at the same time.

**Andrew Wilson:** That is what he said initially. He has not changed his position and there is no reason for us to change our position now. We have consistently argued that the information in cash terms and real terms should be part of the same documentation. Why—on the basis of the

minister setting out his position in different words, but making the same point—should we change our position? That is absurd. The whole process has been absurd all the way through, because no cognisance has been taken of our view on this point.

**Mr Macintosh:** I disagree. We are asking for the figures to be available in real terms and the minister is going to make them available in real terms.

**Andrew Wilson:** He always said that he would do so.

**Mr Macintosh:** We have discussed this before. Andrew Wilson wants the figures presented in a certain way in the budget document. Jack McConnell has stated that he will make them available in real terms to members and to the public but that he will present them in cash terms in the budget document. I do not think that that is a problem, as long as figures in real terms are available to MSPs and the public.

**Mr John Swinney (North Tayside) (SNP):** We are repeating the same boring debate that we have had on numerous occasions about whether the committee should encourage the minister, as Ken is effectively arguing, to show information in cash terms in one document—a significant document of public guidance—while people have to dig about somewhere else to find the figures in real terms. That would mean that the minister could parade around talking in cash terms. We are trying to ensure that there is one set of tables that will show people the figures in cash terms and in real terms. That is not an unreasonable request.

The committee has discussed this issue at least twice before. We have made the position about the standard of information that we are requesting very clear. I do not dispute the fact that the minister is prepared to give the figures in real terms, but the issue is about the format. We have a right, to assist the public debate, to ask for the information to be shown in a way that is of use and value to everybody who has an interest in that debate.

**The Convener:** The minister has agreed to make the figures available in real terms, but only separately from the formal budget documents, which is not what we asked for.

**Dr Richard Simpson (Ochil) (Lab):** This issue is crucial to the way in which the Executive and the Parliament are perceived. The public will not accept the publication of the figures in simple cash terms. If we are going to engage the public in a real debate about how we spend our money, the two sets of figures must be published together, so that we can see what the deflator is.

**The Convener:** I am sorry to interrupt, but that is not the point. Jack McConnell clearly states in his letter that the figures will be published in real terms "at the same time". He has agreed that the figures will be made available in real and cash terms. The issue is the format in which they are published—whether the real-terms figures should be part of the budget documents or whether they should be available only through SPICe.

**Dr Simpson:** The figures should be part of the budget documents.

**The Convener:** This debate is not about whether the figures should be available in real terms and cash terms; it is about how they should be accessed.

**Dr Simpson:** The figures should be made available to the public at the same time, in the same form and in the same document, so that people can see what we are talking about.

**The Convener:** I think that that is broadly accepted.

**Mr Raffan:** Richard Simpson made a valid point. He stated that the real-terms figures and the cash figures should be published together so that it is easy to compare them. The minister suggests making the real-terms figures available through SPICe,

"where they would be available for inspection by MSPs and from where they could be distributed to anyone who wished to see them."

That format is not accessible and does not meet the requests in the convener's letter of 20 December. I strongly agree with Richard Simpson, John Swinney and Andrew Wilson.

**The Convener:** How will the budget documents be made available? How will an ordinary member of the public get access to a copy of the budget documents? Can Sarah Davidson answer that?

**Sarah Davidson (Clerk Team Leader):** My understanding is that, in future, the budget documents will be published, but I do not know the precise mechanism for doing so.

**The Convener:** Presumably that will not be done through SPICe; it will be done through the finance department.

**Mr Swinney:** I do not know whether a member of the public has the right to approach SPICe; I do not think that any member of the public could phone it and say, "Can I have x, y and z." If SPICe were a free distribution service, the Scottish Parliamentary Corporate Body budget would be under enormous strain and that would be the next matter that the Minister for Finance would have to address.

It would be totally unsatisfactory to put the

burden of acting as a public information service on SPICe, which is already under enormous pressure from parliamentary requirements. The solution is simple and we have discussed it before. The Executive published a glossy document, which had all the departmental spending figures; all that we need is another column showing the figures in real terms. That is what we are asking for—another column and an assumption about the deflator that is being used for particular budget headings, if that is differentiated between the aspects of public service. That is not an unreasonable request.

**The Convener:** We can do no better than take John Swinney's comment as the summation of how we want this matter to be put to the minister. We want the information presented jointly, at the same time, so that the figures are equally accessible.

We must also clarify how the general information on the budget is to be made available to the public. If there is to be genuine consultation, the public must have access to that information. It is not good enough saying that the information is on the internet, because a majority of people still do not have access to the internet.

We will get back to Jack McConnell on that. We may want to get back to him on the next issue as well—paragraph 6 of my letter, which refers to PFI expenditure plans. In the fifth paragraph of his letter, the minister says that

"we must avoid providing planned figures for projects that have yet to be agreed as this would jeopardise contract negotiations."

That is not my understanding of what we suggested. We want to know what had been agreed, rather than what might be agreed. We know that we cannot get round commercial confidentiality, but the minister has not answered the question in the terms in which it was put.

11:15

**Andrew Wilson:** The point was made clear the last two times that we discussed the matter. The minister says that such details would not enhance the usefulness of budget documents, but we decided that that was not the case. If the information is provided sector by sector, it may as well be provided for individual deals. It strikes me as odd that we should have to ferret about for business case documents that are not immediately available.

**The Convener:** Do we want to stand our ground and argue the case again?

**Members:** Yes.

**Dr Simpson:** Have we agreed what is meant by larger and smaller projects? I cannot remember

whether we had a figure for that. What might be regarded as small in the context of a £16 billion budget could be of profound importance to one of the smaller health boards. Do we have a clear definition?

**The Convener:** The clerk says that we have clarified that, although I do not have the definition to hand.

**Elaine Thomson (Aberdeen North) (Lab):** We need to be careful about the level of detail that we request. There comes a point where there may be too much detail and too much paper. There must be clear pointers about where to obtain the lower levels of detail, although that detail itself need not be contained within the main document.

**Mr Raffan:** Are we talking about level 2 figures or cash and real-terms figures?

**Elaine Thomson:** I am talking about the details of individual PFI projects. We could be asking for more detail than we require. It would be useful to have it clearly specified where the lower levels of detail—the individual business cases or whatever—are available.

**The Convener:** Members of the public may not be able to access that material. Throughout the process, our aim has been to make the budget as accessible as possible. We cannot simply refer people elsewhere.

**Mr Davidson:** Elaine's suggestion might work for hyperlinks in an internet text document—to allow one to refer to another document. However, that will not be available to the person in the street who will simply pick up the document and walk off.

**Mr Swinney:** There is an inherent contradiction in the minister's letter, which makes me suspicious about where he is coming from. He says that he wants paragraph 6 of the agreement to stand—for the Executive to publish information sector by sector—but he refers to individual project information without giving it the status that he attaches to the sector-by-sector information. We have a legitimate interest in ensuring that the individual project information is available in a readily accessible form. I do not have the feeling that the paragraph is written in that spirit.

**Mr Raffan:** I agree with John Swinney. The PFI issue is so controversial that we must have that level of detail. Not only must the detail be readily accessible, but the figures must be clear. The details for each project must be uniformly presented because PFI breakdowns are highly complex and difficult to follow.

**Elaine Thomson:** That was my point. It is all very well making information accessible, but it must be easily understandable as well. We must bear both those things in mind.

**The Convener:** Do we agree to go back to the minister and say that we want the information to be available as we originally requested?

**Members indicated agreement.**

**The Convener:** I am not sure that we are going to be successful on that point, although we might find that we do better on the previous one. However, it is important that we make our views clear. We should also include Elaine Thomson's comments about not wanting to engulf people in information.

There is a further question about when information on public-private partnerships or PFI projects can be made available. I suspect that members may have come across the problem in the context of school refurbishment projects, for example, where information is not available because of commercial confidentiality. We might be told that the information for planned projects is not available.

**Andrew Wilson:** We are concerned only about expenditure that has been committed. If a deal is still in the process of being struck, no expenditure has been committed from the budget and so there is no reason for us to have the information in the budget bill. Once the deal has been struck, there is no question of commercial confidentiality, as the National Audit Office told us at our previous meeting. It is a non-issue.

**The Convener:** Okay. We will put that to the minister again before reaching agreements on the drafts.

**Andrew Wilson:** I have a question about the balance sheet. We asked the minister why information on assets owned by Scottish Executive departments and agencies was not being made available, given the publication of the national asset register. Has that information been included?

**The Convener:** I am not keen to raise new issues at this stage.

**Andrew Wilson:** We raised the issue at a previous meeting when we discussed paragraph 6 of the written agreements. The minister said that the information was not available and I made the point that the Treasury published it every year. There is no reason why the Scottish Executive assets could not be drawn out of that. It was agreed that we would find out why that was the case.

**The Convener:** The clerks will check that for us.

The Audit Committee still has one written agreement that is outstanding. We must decide how to take matters forward once the agreements are finalised and the Parliament is invited to endorse them. That could be done through a



ministerial statement or by agreement to a motion. The minister could lodge a motion; alternatively, Andrew Welsh—as convener of the Audit Committee—or I could lodge a motion. Are there any views on how that should be done? It would send a stronger message if Andrew Welsh or I were to lodge the motion—it would be clear that the committees, rather than the minister, were bringing the agreements to the Parliament.

**Members** *indicated agreement.*

**Andrew Wilson:** Do we have any signal as to when the process is expected to end? We were concerned about its ending after the Public Finance and Accountability (Scotland) Bill had been enacted and months later we are no further forward. The minister has not moved an inch over the past two months.

**Mr Swinney:** That is the issue that was raised when the Parliament was considering the Public Finance and Accountability (Scotland) Bill. We were being asked to sign up to the bill before the written agreements were in place. We are in just the situation that some of us who spoke in that debate feared: we are trying to press the minister to come to terms with positions that are supported by committees but to which the Executive is not willing to accede. We must make it clear that these are the views of the Finance Committee and that we want to conclude the matter so that we can proceed with the appropriate structure in place.

**The Convener:** I am sure that all members of the committee will agree with that point. We will ensure that the letter to the minister includes those views. I am sure that the minister's civil servants either watch the committee meeting or read the *Official Report*. We can only hope that they will give due weight to the unequivocal views of committee members on the subject.

11:25

*Meeting adjourned.*

11:31

*On resuming—*

## Scottish Executive Finance Functions

**The Convener:** I call the committee back to order for item 2 on the agenda. It is a pleasure to welcome Graham Leicester, the director of the Scottish Council Foundation, who will make an initial statement to us as part of our inquiry into the finance functions of the Scottish Executive. I am sure that, following his statement, members will have questions they want to ask.

Welcome, Graham; we are all very interested to hear what you have to say.

**Mr Graham Leicester (Scottish Council Foundation):** Thank you for giving me this opportunity to talk about the finance functions in the Scottish Executive. It is an important topic and I am glad that the committee has chosen to examine it on the basis of the paper that the SCF produced back in August 1998. It has taken a long time for the pebble we dropped into the pond 18 months ago to produce any ripples on the surface; I am glad that they are now appearing. I am very happy to talk about the genesis of that paper and about some of our thinking since we brought it out.

First, I will say a few words about the SCF and why we are interested in questions about the machinery of government. The SCF, which is a think-net dedicated to promoting independent thinking in public policy, was set up in June 1997 and is supported by a number of far-sighted, innovative and imaginative companies in Scotland. Although the foundation is a small organisation with only three full-time individuals, we engage a wide range of experts, practitioners, academics and others in a range of policy networks, hence the word “think-net”. Only a very few of us sit at the heart of a wide network of other interested individuals, some of whom came together 18 months ago to produce the paper on the treasury functions in the Scottish Executive.

All the work undertaken by us and this network of individuals is based on an analysis of what we believe to be the most obvious and pressing policy issue in Scotland: inequality. Almost every set of statistics that we have examined has shown that Scotland has both the best and the worst in the UK and when compared with the rest of Europe in the same policy areas, and it is that range that concerns us.

Given that concern, the SCF thinks that policy issues require to be tackled on two levels. First, there must be innovative policy to address the

problems faced by the poorest, most disadvantaged in the community, who form the lower end of the range I mentioned. Any analysis of social exclusion shows that, in such areas, problems reinforce each other and give rise to a complex set of issues known in the jargon as the "wicked issues", which require innovative policy to tackle them.

Secondly, any approach that tackles inequality must examine the system as a whole. We are interested not only in improving statistics at the bottom of the scale but in raising the average at the same time. It is one thing to direct policy primarily at improving the lot of the excluded; however, that says very little about the rest of the society that is involved in doing the excluding.

As a result, we prefer to take a systemic approach, the best example of which is our work on health. The usual bell-curve distribution of health in any community has a comparatively long tail in Scotland, which means that many people have poor health. However, the whole curve has shifted towards the poorer end of the spectrum, which means that the health of everyone in Scotland is not as good as it should be. Any approach to tackling inequality must tackle the long tail and shift the whole curve towards the better end of the spectrum, which requires both innovation in policy and a systemic approach.

That preamble should provide some background to the foundation's work on the machinery of government, which was summarised in four publications that we produced in 1998. The first paper, "Three Nations: Social Exclusion in Scotland", discussed the need for innovative policy in the economy, learning, health and modernising the machinery of government. We developed that final point in "Holistic Government", which came out in April 1998 and talked about organising the Scottish Executive in such a way that it might tackle complex policy issues concerning social exclusion and employ a systemic approach to policy making. That publication was followed in summer 1998 by the paper on treasury functions, which the committee has read and which raised the question of how to run the finance functions in a system of holistic government.

In November 1998, we brought all the previous work together in a report called "The Possible Scot: making healthy public policy", which replicated all those elements in an effort to examine the practical application of some of those ideas in the area of health policy.

I will now summarise some of the basic thinking that went into the paper on treasury functions. Pages 3 and 4 of the paper list the treasury functions, which are personnel and common services; financial management; spending policy and control; tax policy; local government finance;

UK macro-economic policy; Scottish economic development policy; and economic advice and statistics. Those functions were performed in different areas of the Scottish Office before devolution. Our question was how to use the opportunity of a new Scottish Parliament and Executive to reorganise those functions in the service of a joined-up, holistic approach to policy making. As a result, we asked a number of basic questions. It should be pointed out that although we provided some answers, the paper represents the contribution of a range of individuals, all of whom had an interest and some experience in government, governance and financial management, and it should not be regarded as a kind of blueprint. However, we feel that these are the questions that the committee's inquiry should address.

First, should we put responsibility for managing public finances in the same place in the Executive as responsibility for giving strategic direction to the Scottish economy? In traditional terms, should we have a separate economics ministry and finance ministry, or should we combine the two in the same way as the Westminster Treasury? After hearing arguments from both sides, we concluded that the two functions should be separated. However, from my knowledge of the current system, I am not sure that we have got either function right, which is a point that we will make in a further report on the management of economic policy in March.

We then asked which of the functions that I listed earlier should be joined together in the finance function instead of the economic policy function. The two innovations that we recommended were, first, that responsibility for local government finance should be brought within the remit of the finance function, which would take it out of the Scottish Executive's local government policy division; and, secondly, that responsibility for tax-varying powers should also rest with the Minister for Finance or within the finance function.

Another question we asked was whether we should have a centralised or decentralised system of financial management. There are examples of both. Before the Parliament was established, the Scottish Office had a pretty centralised system. There are decentralised systems, notably in the Northern Ireland Office. We determined that there should, perhaps, be a partly centralised and partly decentralised system, given that resources and personnel are too stretched to have a fully decentralised system. There could be a centralised system with secondments of financial skill within each department.

11:45

Next, the paper contains a section on determining spending priorities and commitments. Two sets of issues arose. The first concerns the way in which we decide how much money there is to spend each year, and runs through the different elements of spending available to put into the pot for subsequent distribution: current spending, capital spending, the leveraging in of private finance, the options for private or collective—perhaps mutual—provision of some Government services, and the use of the tax power. It seemed to us that all those needed to be considered in setting the budget. In other words, it is not a matter of saying, “This is how much money we’ve got; how are we going to spend it?” There are prior questions: “What do we want to do?” “What sources of finance are available to do it?” “Is the implication a need to raise additional finance—perhaps through the use of the tax power?” There is also the question of how to distribute that pot of resources.

In the context of public-private finance and mechanisms for drawing in private finance in support of public spending, I want to mention that we are co-operating with the Institute for Public Policy Research’s commission on public-private partnerships, which was established last summer and is due to report at the end of this year. We are bringing the commission to Scotland later this year to take evidence, and I invite all members of this committee to attend that consultative meeting when it occurs. I shall send out invitations.

Having determined how much money is available to spend, the second set of issues concerns the way in which that money is spent. We wanted to put several ideas on the table. First, how can innovation be emphasised in making those decisions from one year to the next? How is a distinction made between spending that is rolled over—the bulk of Government activity that is keeping the system going—and spending on the places in which change is desirable? How can the system be made to focus on those changes—in the Executive and in the Parliament? How can the budget-setting system be organised so that those changes become more apparent?

Secondly, how can provision be made for more change and in-year flexibility? Once it is set, how can the budget be allowed to be flexible, within limits, as needs change and as evidence emerges of what is working and what is not working so well? That issue drove us to pick up some of the themes from “Holistic Government”, looking for accountability in terms of outcomes rather than inputs. I am sure the committee is familiar with that debate. We have continued with that work during the past year, and another report will be published at the end of this month—which I shall send to the

committee—on what we call the Scotland index: a list of indicators on progress towards a set of goals. We suggest ways in which the Parliament could begin to use indicators in the budget-setting process, the process of accountability, and in performance budgeting.

We had a few thoughts about managing the process of determining departmental or political spending priorities and ways in which that should be done. We canvassed opinion on the idea of having an equivalent of the Chief Secretary to the Treasury in the Scottish system—a political figure who would oversee the spending settlement and negotiate the political deals between departments. As the committee will have seen from our paper, one of our conclusions on change in the system—moving towards a Scottish Executive and away from the Scottish Office—is that the process of setting the budget between departments and between ministers will become much more political than it has been in the past, and that we need a political figure to oversee that.

There is a section in the paper that talks about potential innovations in the budget process. Those are gleaned from a series of examples that are found elsewhere in the world. We canvassed opinion on ways in which to introduce longer-term budgeting into the system, and on the idea of the 10-year budgeting process. The latter is practised by a lot of US states, which call it the issuing of fiscal notes. If a piece of legislation is introduced, its financial impacts over the next 10 years must be stated. That changes the climate of decision making: a 10-year budget is not set, but day-to-day decisions are made in recognition of their impact in 10 years’ time.

Ideas were also suggested of ways in which to encourage cross-departmental working: the pooling of budgets across departments, between Government and local government, and between Government and other agencies. Ideas were picked up in “The Possible Scot”, such as redefining the health budget to include other areas of spending that promote better health, which are beginning to be included in the system in the social justice report. That report includes a page on innovations in the budgetary system to encourage cross-departmental budgeting and the pooling of resources from Government and other agencies.

Two other points are brought out in the paper. The first is how to encourage the carry-over of spending from one year to the next, to get around the problem of the year-end spend. That bedevils most Governments, and there are ways of freeing up the system to make it less of a problem. The other is measurement and accountability, and the unit of appropriation. Regardless of the level at which the system inside the Executive chooses to

scrutinise its own spending, at what level does it make sense for that spending to be scrutinised by this Parliament and its committees? There is a danger that, if we start to scrutinise the budget at the level of paper-clip allocations, it will be more difficult for the Executive to begin any budgetary innovation—moving moneys from one pot to another or allowing flexibility or changes—during the year. Our paper highlights the fact that the flexibility in the system depends, to an extent, on the kind of procedures that are put in place for the Executive to report on budgetary matters to the Parliament and its committees.

I shall stop there, having introduced the ideas in the paper.

**The Convener:** Thank you very much, Graham. We had the paper in front of us when we set the remit of this inquiry, as we wanted to include policy issues. I open the discussion to members of the committee to comment or ask questions.

**Mr Raffan:** This is a stimulating paper, with a huge amount in it. In paragraph 16, on the strategic direction, you talk about the danger of mirroring the split between the Treasury and the Department of Trade and Industry. However, as far as I can make out, in paragraph 23, you decide to mirror that split, in effect. When you talk about the strategic direction of the economy resting with the enterprise and lifelong learning department, do you regard the DTI as more micro than macro—which is to say that the strategic direction of economic policy remains with the Treasury?

**Mr Leicester:** Yes. The analogies are not direct. What I was trying to say about the Treasury is that the strategic direction of the economy rests there. In other systems, it can rest in a separate economics ministry, but in the British system the strategic direction of the economy, the determination of public spending limits, and, ultimately, the determination of public spending priority—the way in which the cake is divided up—rest with the Treasury. It is no accident that the DTI has been through more reorganisations than any other department of state: it takes a more or less strategic role in economic policy depending on the mood of the moment. If there is an analogy to be made, it should be between Scottish Enterprise and the DTI, as implementers of policy. The strategic direction would lie elsewhere.

**Mr Raffan:** You are saying that, in our system as it stands, the enterprise and lifelong learning department has much more clout than the DTI has in the UK system, and that the ministry of finance has a narrower basis; the Minister for Finance is, in effect, a chief secretary to the treasury. Do you agree with that?

**Mr Leicester:** I have difficulty making such analogies, although I make them.

**Mr Raffan:** I am asking you to clarify them.

**Mr Leicester:** I am not sure what you are asking me to clarify.

**Mr Raffan:** Because the budget, through the Barnett formula, is set at Westminster—or Whitehall—the ministry of finance has the narrow responsibility of dividing the cake. That is the primary function of the Minister for Finance. Do you agree?

**Mr Leicester:** That is part of it. I am not sure that there is a ministry of finance. There is a Minister for Finance, who is in charge of several people within the system, but there is no ministry of finance.

Yes, one of the powers or responsibilities of the Minister for Finance is to conduct the finance round. However, these are questions that you should put to him. There is the question of the role the Scottish Executive plays in determining how the budget is finally cut up. I am not sure that the Minister for Finance has the power that you ascribe to him. What he has are some of the powers that I describe in the paper, concerning reform of the financial system and how it operates as a whole. Those are more concerned with innovation at the margins, cross-departmental financing, bringing in public-private financial instruments and local government finance. His powers are more in those areas, and less in the division of the cake.

Yes, the responsibility for giving strategic direction to the economy rests with the enterprise and lifelong learning department and its minister, not with the Minister for Finance.

**The Convener:** Before I call other members, I shall follow up that point. You touch on the question of the Chief Secretary to the Treasury in your paper, which was written 18 months ago. Can you develop the point that you have made in response to Keith Raffan's question, about the role of the Minister for Finance? The Minister for Finance is the only minister who does not have a junior. Do you think that that is appropriate, in the context of the narrow role of the Minister for Finance that you described?

You say that the collegiate atmosphere of the annual spending round in the Scottish Executive would be more confrontational if some form of chief secretary to the treasury were involved, but that hands-on in-year changes are likely to be of more interest. We are already recognising the truth of that: twice during recent months, it has been necessary to reassess budgets.

Does that mean that the Minister for Finance would effectively take on the role of the chief secretary to the treasury, or is there a case for him taking a more strategic role, while a junior minister

performs a function similar to that of the chief secretary?

12:00

**Mr Leicester:** When we put together this paper, the debate was about whether there needed to be a political figure at the heart of the spending debate. Our conclusion was that there did, based on our reading of the politics of what happens within government as opposed to what happens within an Administration, to make the distinction between the Scottish Office as was and the present Scottish Executive. We felt that a political figure was needed because the process would become political.

Having made that judgment, the question is who should manage the political process. There are a number of candidates, the obvious one being the First Minister. In practice—to reiterate the point I made earlier to Mr Raffan—the First Minister takes responsibility for all spending decisions. In an ideal world, a system of government would be devised that freed up enough time for the First Minister to make such decisions. However, we do not have such a system and authority must be delegated.

Our question then was whether authority should be delegated to somebody inside or outside the Cabinet. Somebody inside the Cabinet, like the Chief Secretary to the Treasury, could wield tremendous power, which raises other questions about how big the ministry that goes with that Cabinet position should be. So, we started to think that it should perhaps be a junior ministerial post within the Cabinet, but without a vote. The Chief Whip's position is an example from the British system of how it is possible to be in the Cabinet and attend meetings without having any decision-making authority.

We concluded that any of those models could work, but only if the person responsible carried the authority of the First Minister, which is the situation we are in now. We have a Minister for Finance, who is a politician, in the Cabinet. Responsibility for all spending decisions still rests with the First Minister, but some of the authority is delegated, in practice, to the Minister for Finance. The need to make in-year revisions demonstrates the need for political input throughout the year.

**Mr Swinney:** I want to explore some of the issues that Keith Raffan raised in relation to economic policy, which is a very topical issue. The Enterprise and Lifelong Learning Committee will hear tomorrow from Dr Andrew Goudie, who is developing what has been described as a framework for economic development in Scotland. I am not sure whether that aligns with the concept of strategic direction of the Scottish economy that you advance. My feeling is that the issues that

would be implicit in a document on the strategic direction for the Scottish economy would be wider than those dealt with in a framework for economic development in Scotland.

I take the view that we are lacking—this is what the Enterprise and Lifelong Learning Committee has taken evidence about—a focus for policy making that is more strategic than a framework for economic development, and which recognises that many of the issues that are relevant to economic development will be pursued by Scottish Enterprise in its capacity of leading the economic development process in Scotland.

Is it not the case that the type of debate that you are talking about is much more first ministerial than departmental? It touches on a range of other policy matters, such as transport and some aspects of housing policy. Those are implicit in taking cross-cutting, innovative approaches to solving deep-seated economic problems in Scotland. Putting that strategy in the possession of one department would fail to achieve the objective.

**Mr Leicester:** That is a very long point that invites a long answer. I will try to be as brief as possible.

The point about the strategic direction of the Scottish economy and the direction of the economy by the Government and its agencies has been made. This is one of the points that recurred during discussion of the treasury functions: whether strategic direction should be given to the economy, society and the Government programme as a whole, and where it is to come from. That is why there is a section in the paper about the First Minister's department and the need for a central unit that co-ordinates policy and challenges the decisions of individual departments.

The First Minister's department would either need to be convinced that a measure fits into the longer-term strategy or that a certain piece of longer-term strategic development undertaken by a department does not contradict another bit of strategic development being undertaken by another part of the machine. There is a need for a central part of machinery. As we pointed out in our paper, that also needs some sort of economic device. It needs to be plugged into the same source of economic advice as is informing the rest of the system.

I mention the point about the economy going wider than economic development precisely because in our own economic policy network, which has been generating some work in this area, the central debate around our table is how to marry the aims of enterprise and social justice. That is a fascinating and difficult debate, but it deals with the longer term of economic policy.

However, it is difficult to find anywhere to conduct that debate within the machinery of government or Parliament, because enterprise and social justice are dealt with by different parts of the machine. They need to be brought together—that means giving strategic direction—and we are still considering how to do that.

**Mr Swinney:** To pursue your last remark, Mr Leicester, I am concerned that in trying to address that separation of issues between enterprise and social justice, we will end up getting both areas of policy to do a bit of both things. That will confuse the strategic direction of both those aspects of policy and they will not complement each other to achieve an overall economic strategy for Scotland for which, using the Scotland index, for example, we would be able to get a realistic account of whether we are making the slightest bit of difference in public policy in Scotland for each year or parliamentary session.

**Mr Leicester:** Are you saying that it is difficult or impossible?

**Mr Swinney:** Increasingly, aspects of local enterprise company work and Scottish Enterprise work are moving into the realms of social inclusion. One, social inclusion is not top priority for them; two, I do not think that the LECs or Scottish Enterprise will be very good at it; three, it will be likely to undermine their focus.

Similarly, many organisations concerned with social justice are being forced to do a lot of community business work, for example, which has never had a great history of success, but it could be more effective if it was managed differently. I use those examples to illustrate the fact that, if we do not have a cohesive strategic direction that drives both those separate policy areas, we will end up with what we have now, which is not effective.

**Mr Leicester:** I agree. I remember some of the discussions that we had when working on "Holistic Government". One council said that it had done everything suggested and got all the agencies together to sit around the same table, but it was striking that none of them could even claim responsibility for delivering their core objectives. For example, the police would say, "We try to reduce crime, but other things beyond our control contribute to crime." The doctors would say, "We try to improve health, but there are other factors that affect health." The housing people would say, "We try to build better houses, but there are other things going on." None of them could claim sole responsibility for achieving the aims of their own services.

That is the real world, so we need some kind of strategic direction that allows all those agencies to contribute to the same set of goals. That is

something that a number of states in the United States of America have made determined efforts to tackle. Since the paper was written, I have spent some time in the States examining the reinventing government movement. Everybody is trying to grapple with these problems, and some are making better progress than others.

We have written up quite a bit about the Oregon experience, where people chose 100 indicators for the health of the system in areas in which they wanted to make an impact, and reflected that back into the Government machine. They said, "This is what we are trying to do. Can anyone claim responsibility for making an impact on any of these indicators?" In a number of cases, a department would admit to having prime responsibility for one and secondary responsibility for a number of others. In other cases, no department claimed responsibility, which showed that something was wrong and somebody was needed to take care of that area. In some cases, a number of departments claimed responsibility, which also showed that something was wrong and led people to ask whether those departments were talking to one another.

There are ways of getting strategic direction into the system, but it requires a strategic direction in the first place.

**Mr Davidson:** That is interesting. The other experiences are valuable, but we must focus on where we are in the Parliament. You have mentioned politics in the budget process and the fact that the current situation—whether economic or combined with finance—appears to be unclear. We sit in the middle of that and have to try to make it better.

You certainly gave the view of your organisation that we are suffering from government by committee, with all the budget heads and all the departments having to be pleased in some way as a compromise or trade-off. I agree with John Swinney that there is no clear point at which the management of affairs by the Executive has a central line around which there is a strategic focus. You mentioned, quite rightly, the levering in of money—private, public or even European—as a way of driving the economy. We need to know what the economy is driving towards and who is the champion and arbiter of that. That is what happens in the Westminster model.

I appreciate that, in many ways, we want to grow up from the Westminster model. Is your organisation really telling us that the current set-up is not working? Are you saying that we need to look beyond that, and that we should look at the role of the economic driver? Who in the Executive is that driver? Do other departments feed off growth and stability in our economy so that they are able to work on the social justice issues that

people throughout Scotland desire? Should we rethink the model and, if so, will you state more strongly what alternatives we could use?

12:15

**Mr Leicester:** Mr Davidson asks whether the system works. I think it does. If I had to point to a weakness in it, it would be its lack of strategic direction. There is a Minister for Finance—which is, in itself, an advance—who has the political responsibility for managing the Executive's finance function and for thinking about how to innovate within that function. Some of the fruits of that thinking are beginning to emerge in some of the Executive's statements and publications.

Mr Davidson also wants to know whether there is something in the system that gives strategic direction to economic development. I think there is. The current review of the economic development function is intended to strengthen that direction and to make sense of the need for a strategic focus.

The big question can be framed in two ways. The first way is to ask whether the economy is there to support society—the second is to ask whether society is there to support the economy. Structures of government are managed differently according to the way in which that question is answered. The question can also be put by asking whether what is wanted is the marriage of competitiveness to social justice, or whether competitiveness should come first in order to deliver social justice later. Those are two equally valid ways of organising the Government machine—the way the question is answered has implications for the way in which the Government machine is managed.

It is not clear to me what the Government's answers are to those questions. If they were clear, it would be easier to make recommendations about how the system ought to be managed. The answers that are coming from my organisation relate to the marriage of competitiveness and social justice, and to the delivery of both at the same time. If that is to happen there must be a stronger strategic focus, but that need not necessarily come from government. It might be delivered by and generated by government, but it might also come from the wider community, the Parliament or a number of other sources. Once the will for a stronger strategic focus exists, there are ways of organising the machinery of government to deliver it. From where I am sitting, the central weakness appears to be that it is not clear what the Government's strategic direction is. That does not mean that the Government must provide that strategic focus.

**Mr Davidson:** In fairness, it should be said that

the UK Government controls the inflow of cash to Scotland through, for example, the Barnett formula. It controls tax-raising powers via the Scottish Parliament. I agree that economic development is a tool that should be used to achieve added value and to pull in other funding streams, but it would be naive to think that anybody from outside the balance that exists between the Executive and the Parliament should be in charge of that strategic direction.

**Mr Leicester:** I do not know whether others should be "in charge" of that, but there are other actors in the system. In our work on the Scotland index, some of the models that we have drawn on are generated by the community or by voluntary organisations, such as the measurements that some pressure groups have come up with in relation to the environment and ecological sustainability.

All kinds of ways of measuring what is happening in the economy and society are devised by agencies outside Governments and legislatures; such agencies can propose a different model. There is no reason why that should not happen in Scotland, too. It would be a good start if that kind of strategic direction came from the Executive and the Parliament, but those are not the only bodies that it can come from.

**Andrew Wilson:** Many of the issues that you raise are central to everything that the Parliament will do in the four years that lie ahead. However, much of that is difficult to touch, which is why we are going to have to grapple long and hard with this matter. We should accept the invitation from the Institute for Public Policy Research, as that will offer significant opportunities for discussion.

To go back to David Davidson's point, I am interested in the idea of key performance indicators in performance budgeting and in the Oregon example. When those ideas are seen in practice, the committee may want to take them on board. However, if benchmarks are to be set and the worst performers, as well as the best, are to be identified, information is needed. A friend drew my attention to a recent newspaper article by Gus Macdonald, in which he made the point that much UK policy has failed because it has been based on inadequate or inaccurate information. How good do you think that the Scottish system is in terms of information that is provided?

Before you arrived, we had a discussion on the financial information that is available and how that compares with the information that is made available in other countries. The availability of economic information is a big concern, as is the availability of information for performance indicators for social measures. Where do we sit, in terms of the information that we have at our disposal, which is the building block on which

everything else is founded?

**Mr Leicester:** You ask about where we sit. We have a tremendous amount of information about the system somewhere within the system, but it is difficult to find. I speak to many people, especially from economic backgrounds, who lament the absence of disaggregated statistics for this, that and the other. I am sure that they are making a valid point, too. However, there is also a tremendous amount of information that is not so much difficult to get hold of as difficult to interpret.

I have here the state of Oregon's two-year governor's budget. The legislature sits for six months, every two years, and passes a budget for the two years, together with all the laws that are necessary. Two years later, it returns to find out how things are progressing. I flicked through the document this morning and found it packed with information about every programme that the Oregon Government runs. It contains a section on the central objectives and talks about the demographics in the state and the economic prospects. I now know more about the state of Oregon after reading this book for 10 minutes than I know about the state of Scotland after studying it for three years. It is not that the information is not available to us. I do not know how difficult it would be to compile the same statistics in the same form for Scotland, but I suspect that it would not be difficult.

**The Convener:** The committee is working on that problem. We have raised the issue with the Minister for Finance and are confident that progress is being made.

**Andrew Wilson:** That sort of information has been produced in the past. It is always dated and huge gaps exist in the statistics for this country. Do you think that a specific part of the Government should be responsible for drawing that information together, taking into account money that comes in, outcomes and other performance indicators? Such information could come from disparate sources, but should one person be responsible for drawing it together, like the Office for National Statistics but perhaps more overarching?

**Mr Leicester:** It would be helpful if somebody were to produce such a document. It would be immensely useful to an administrator to have such a book sitting on their desk. It would allow them to find out what they were supposed to be doing in relation to what the rest of the Government machine was doing, the priorities, the indicators that were being measured and what the situation was last year. Immediately, they would be working in a different policy context. The level of difficulty in pulling such a document together is related to its usefulness. The document that I mentioned is useful because it gives a strategic sense of where

Oregon is going over the two years. We need a better sense of how our policies join up before we can produce such a document.

We have approached the matter from the perspective of the Government machine. The other perspective is one that looks in on the Government machine, to see what it is doing from the outside and to hold it to account and so on. It would be useful to do that, too. It is a chicken-and-egg question. Do we start with the scrutiny function and ask for better information, or do we start with better government and expect the information to flow from that? I would prefer to start with better government.

Much of the information is in the system, it is just not being presented or made available in the best way. That is clear from some of the parliamentary questions, which are simply requests for information. It should not be necessary to go through the Parliament to get at that information—that information should be available. One of the best examples of such accessibility is the Washington State Office of Financial Management website. The index to the website extends to four pages. It includes everything that one could possibly want to know about the budget, the budget-setting mechanisms, the financial control mechanisms and the ways in which those are being developed. That demonstrates a step change in the presentation and use of information. We have the information; the question is how we present and make use of it. One should not have to go through special channels in order to access that information.

The bit of the information picture that is missing—we made this case two years ago in our report on social exclusion—is panel data, in contrast to survey data. We take a snapshot and say that a certain percentage of people are unemployed. We measure that again a year later and say whether the percentage has gone up or down. If we were tracking the same people over time, we would see why the percentage had changed and we would be able to find out more about the dynamics of the effects of policy. The British household panel study has been doing that for five or six years. It is a rich source of data about the impact of Government policy and other forces on the lives of individuals. We do not have that richness of data in Scotland yet, although there are moves to address that. Although our snapshot approach provides a great volume of information, that information lacks quality. Our stock of information is growing, but we are not making it available in usable forms.

12:30

**Andrew Wilson:** That is an important lesson for this inquiry. You said that it was important to



assess what one wanted to achieve with a policy before considering how much money to put into it and so on. How do you go about doing that? We are wrestling with that problem in relation to the budget process. Every department will tell us that it will need a huge budget to achieve its aims.

**Mr Leicester:** We are talking about the holy grail of government. Scotland has an opportunity to get closer to the holy grail because of the scale of the nation and of the operation.

A line must be followed from inputs, through outputs to outcomes. If we use the education system as an example, input might be three computers in every classroom, output might be a certain number of young people with five standard grade passes and outcome might be the number of people who emerge from the system ready to play a full and active part in the knowledge economy.

There are different ways of measuring effectiveness. We are learning lessons from the systems of other countries and from our own system about how to measure outcomes and how to ensure that the process is more driven by outcomes. As the Prime Minister keeps saying, "delivery, delivery, delivery".

Some places have taken that approach and have performed a root-and-branch reform of the whole system. The Washington State website is an example of that. The state is engaged in an experiment with the Harvard Business School to introduce the concept of the balance score card, which has been adopted and adapted by business in the past 10 years and is beginning to filter through to the public sector. The aim is to find new ways of measuring performance that can be linked to strategy, to resourcing and then back into the organisation.

There is a wealth of experience in this area but not much of it has fed into government. One of the reasons why it has not done so is the question of scale, which is why I keep talking about the US. Its states are all of different sizes, all have devolved responsibilities, all have relationships with the centre of varying complexity and all are trying out different methods.

It is important to note that all the states are learning from one another. In relation to that, I have brought exhibit B, *Governing* magazine's special issue on grading the states. A university in the US has combined with one of the charitable trusts to grade the states. It has been round every state, ranking them on a scale of A to D for financial management, capital management, human resources, managing for results and information technology. That is a fascinating exercise. Those features have been boiled down as the core elements of public management. What

all the states are doing has been compared and contrasted, and that exercise will be repeated every two years. It is a learning system, which is what we need.

**Dr Simpson:** A lot of what you are saying has been taken on board. The target-setting exercise sets lots of targets for departments, and measures against them. Your message is getting across. However, there is a tradition of obfuscation and obscurity in budgeting and financial processes that this committee is trying to sweep aside, not just to improve our ability to scrutinise the budget, but for the sake of the public.

The political process is significantly damaged by the fact that people do not understand what it is about. The issue is innovation. We are getting budgets with a certain amount of uplift or development, which we can dispute and discuss in relation to such things as deflators, but there does not seem to be a clear central element to the innovative processes set against central strategic aims. For example, the health department may come up with various competing bits of innovation in its budget, but it is not required to bid for a central innovative pot against a central strategic aim.

The central strategic aim may be the elimination of poverty within 18 years—a good long-term aim. However, there is no co-ordination among all the departments and no instruction to them to bid not only for bits of their own fund in innovating, but against a central pot that is measured against the central function. How do you deal with that in terms of splitting the finance and economic functions?

**Mr Leicester:** Funding for innovation is a difficult topic. Let us start at the top. Some estimates—and I have no reason to question them—suggest that there may be 6 or 7 per cent of the annual budget with which it is feasible to experiment. The true figure may be 10 per cent or it may be less, but it is a small proportion of the budget with which we might experiment. The first task is to identify that proportion: for those operating inside the system; for those seeking to hold the system to account; and for us as citizens who want to have a more informed debate about what it is possible to achieve with the Scottish Executive's budget.

If it is true that there is less than 10 per cent of the budget with which one can innovate, the argument could run that there is less than 10 per cent of the budget with which things could change. That obviously has political implications. I think that it would be more helpful to have that kind of information on the table. If it could be presented as it is in some other systems, that would be a good thing.

Having identified that resource, the more difficult question is how one can use it to innovate. In many systems, that resource is put aside and reserved for innovation. Bids are invited to do something different with that money and a partnership of different agencies or departments will get together to bid for some of that resource. They channel it back into existing spending programmes, and the result is more of the same.

We are still struggling with that issue; and indeed the social justice report that I mentioned tries to address the issue of how to identify that money and how to use it to stimulate and reward innovation. I suspect that we will need to free up the whole system before that 10 per cent can be used for innovative work, which brings us back to questions about how much flexibility there is even within existing programmes to vary expenditure between programmes within the year and from one year to the next. We need some wiggle room in the existing system. However, that might not be a full or practical answer.

**Dr Simpson:** That is helpful.

**Mr Macintosh:** On your comment that the number of parliamentary questions reflects both a desire for and a lack of availability of information, it should be pointed out that parliamentary questions are asked for several reasons, not merely for parliamentary information.

You raised the key point that the form in which information is available is a political matter. How can we remove that political aspect? We would particularly like to do that in the budget process, although that might just be wishful thinking. Furthermore, can you give us some more information about what the forthcoming Scotland index will measure and the indicators that it will provide?

**Mr Leicester:** As a student of Michael Quinlan's masterly submission to the Scott inquiry on the art of asking parliamentary questions, I know that there are rules to the game and that even requests for information are not merely requests for information.

However, that leads to your second point about the politics of information provision. If more information were more widely available in more intelligible forms, that would begin to take the politics both out of the provision of information and out of the parliamentary question system that injects some politics into requests for information. I do not think that there is any magic here. Everyone should have a common sense of where to find information and be able to follow it through.

As for the Scotland index, we have considered various recent initiatives in both the UK and Scotland to develop indicator sets and set targets. We have also investigated international indicator

initiatives that measure progress, such as the United Nations development index. Furthermore, in Oregon—if I may return to that example—people have set themselves a vision of where the state should be in 20 years' time and have determined the 100 indicators that will be measured as that vision is fulfilled.

The paper sets out those examples and, as I said to Mr Davidson, a range of actors has been involved in developing the indicators. Those actors are not all Government-led; they are a mixture of national, regional and local representatives. Although we could pursue a range of options in Scotland, we have a particular interest in starting with better government, which means that we are more interested in trying to inject such thinking into government instead of developing a government index. However, that is not the only way in which things could go.

We have not suggested what should go into that index. There are examples on which we could draw. There are existing indicator sets, such as the one that came out with the social justice report, and some of the work that Scottish Enterprise is doing. There is a basis on which to build. We are making the case for a Scotland index and we are mapping the territory. Although it is not necessarily Government that needs to take the initiative, Government could do it.

12:45

**Elaine Thomson:** It has been said that Scotland is missing some data. Can you clarify whether we are missing the raw data to measure things, or whether, because of the way in which the information is organised and presented, something such as the Scotland index is needed to pull the information together? On the subject of making information available to the public—you mentioned Washington's website—what is the role of the new media?

**Mr Leicester:** The only short answer to your first question is a conceptual one. I draw a distinction between what I call the culture of numbers and the culture of meaning. There is any number of numbers in the system—my answer relates to data sets—but nobody tells us what they mean and nobody knows why the measurements were taken in the first place. Although there are a lot of data washing around the system, it is not clear that there is any underpinning rationale; that makes it more difficult to discern the meaning from the data. Moreover, it is difficult to present data in a coherent form unless one has thought first about what one is measuring and why one is measuring it.

Panel data offer a more sophisticated measurement, which follows the progress of

individuals through the system. One can ask people why they left their job, why they stopped smoking or why they moved from one district to another. One will not pick up such information if one knows only that the population has gone up by one in one district and down by one in another. The reason for that movement is the meaning that underpins the change in the figures. There are ways in which such questions can be answered, but we are poor in that area. I can tell you whom to ask for a disquisition on what is missing in the economic statistics of Scotland, but I think that a culture of meaning is missing.

On presentation, as I said, the Washington State Office for Financial Management website has four pages of introduction—nobody in their right mind will look at that, apart from me and, I hope, you. The information is available at that website because there is an underpinning rationale for putting it there that says: “These are the tools that we are using to direct the machinery of government. Because we are using them, we have them. Because we have them, you may as well see them if you want to. If you are the kind of person who takes an interest in such things and you see that there is something that we could be doing better, let us know.” That level of presentation is good, but it is a minority interest.

Another method of presentation lays out the five things that are being done. I have an organisation chart for the state of Oregon. The top of the chart is addressed to the people of Oregon and lays out the three key things that are going to be done over the next two years: the juvenile crime challenge, the livability challenge and the education challenge. Underpinning that information is a huge range of tools, data and measurement techniques and information technology. However, on the surface, we have a simple presentation of what is going to be done over the next two years. There are many levels at which policy and data can be presented; we need to make use of that in our system.

**Mr Raffan:** I have a point on the management side. At the beginning of your paper, you quote Professor Robert Reich, who said when he headed Clinton's Office of Management and Budget:

“This is the loop . . . It's power central”.

Earlier, in a rather revealing answer, you said that you did not know whether there was a ministry of finance, although there is a minister. That may be a core issue. If a minister is to have any clout within a Government, he must have a department behind him.

You made a point about the financial management of Northern Ireland and of having an office not just of finance, but of management. You

said that the Northern Ireland model might be too expensive, because it would involve setting up a new unit. However, you suggested combining the Westminster and Northern Irish systems, seconding the principal financial officers to the departments and moving them around every three years to prevent them from going native. Of course, within three years, the department might have successfully avoided the influence of the financial officers. There is as much danger of the departments resisting the officers as there is of the officers going native. What happens in the Scottish Executive?

**Mr Leicester:** I do not know what happens in the Scottish Executive. In researching the paper, we learned quite a lot about the way in which the Scottish Office functioned. That is where the quotes come from about the collegial nature of the spending round, which was essentially decided between officials.

It is too early to know much about the system in the Scottish Executive. It does not matter whether there is a ministry. It matters that there should be an interest in innovation within the financial system—in reporting and in other matters. The reason for putting people who have expert knowledge about the way in which the financial management system operates into the departments is to ensure that some of the thinking about innovation can take place within the department. Such innovation must take place in and between the departmental budgets.

It is also important that there is political will behind the move to innovate and modernise in government. A great deal of political will is driving the growing output of the Cabinet Office and its performance and innovation unit. The jury is still out about how much political will there is within the Scottish Executive. It does not matter whether the finance minister has a finance ministry, as long as there is political backing for what he is trying to do.

**The Convener:** Thank you for attending the meeting, Mr Leicester. Not only have we benefited from your experience, you have given us many ideas that we might want to follow up with some of our other witnesses.

The committee will not meet next Tuesday—we could not get Peter Hennessy—but we will meet in a fortnight.

*Meeting closed at 12:54.*



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