

FINANCE COMMITTEE

Tuesday 7 March 2000
(Morning)

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CONTENTS

Tuesday 7 March 2000

	Col.
EUROPEAN UNION FUNDING	415
SCOTTISH PARLIAMENTARY CORPORATE BODY BUDGET	421
SCOTTISH PARLIAMENT BUILDING	424
ACCOUNTING POLICIES	429
BILLS (FINANCIAL PROVISIONS)	432
STANDARDS IN SCOTLAND'S SCHOOLS ETC BILL.....	437
CENSUS (AMENDMENT) (SCOTLAND) BILL	441

FINANCE COMMITTEE

6th 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

THE FOLLOWING MEMBER ALSO ATTENDED

Ms Margo MacDonald (Lothians) (SNP)

CLERK TEAM LEADER

Sarah Davidson

SENIOR ASSISTANT CLERK

Callum Thomson

ASSISTANT CLERK

Alastair Macfie

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 7 March 2000

(Morning)

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

The Convener (Mike Watson): We have received apologies for absence from John Swinney and for late arrival from Richard Simpson, who has been delayed in travelling here. We have a number of items on the agenda; members will have seen the attendant paperwork. Before we start, I seek the committee's agreement that we take the last item, which is consideration of the appointment of advisers, in private. Is that agreed?

Members indicated agreement.

European Union Funding

The Convener: We have all had a chance to consider the paper that was produced by the clerk on EU funding. Does anyone have any initial comments? The paper sets out various options. I am open to suggestions on where we go from here. My view is that we should press ahead with the inquiry. We will have to consider the basis on which we do so, and the speed, because we must take our existing programme into account. I will leave it at that and invite comment.

No one is rushing in with comments. I should point out that there now seems to be some doubt whether the second of the four key issues that are listed in the paper is formally within the Finance Committee's remit. I felt that that issue would be of value and interest, but it may not be strictly within our remit. There is no doubt about the other three. Members should be aware that the European Committee will consider similar topics for investigation at its meeting this afternoon.

Mr Kenneth Macintosh (Eastwood) (Lab): For clarification, do you mean that there might be some doubt about the second issue listed:

"what evidence is there of additionality at project level?"

The Convener: Yes. Strictly speaking, that is not within our remit, but I think that we could stretch it. In my view, it should be included although it might not be strictly relevant in Finance Committee terms.

Andrew Wilson (Central Scotland) (SNP): I am relaxed on that point. I do not think that it is within our remit, but if you feel strongly about it,

that is fair enough. There is no controversy over that topic.

On the three options for our inquiry, we need guidance from the Parliamentary Bureau—or from you, convener—on the logistics. Any of those three options strikes me as being doable and fine. I have seen the paper from the convener of the European Committee; it is lengthier than ours and puts some of the same points in different ways, but many of the issues to which the convener refers are Finance Committee matters. The issue is whether the two committees will undertake an inquiry.

The Convener: That is right. As Sarah Davidson pointed out in our paper, the difficulty is that the European Committee's remit is so wide that it can discuss legitimately almost anything that includes the word "European". Three of the key issues are specifically within our remit. While they also have an obvious European dimension, that does not mean that we should stand back and allow another committee to get on with it. We must consider those issues.

Mr David Davidson (North-East Scotland) (Con): We must draw a clear line in the sand between ourselves and the European Committee, which seems to be quite avaricious in what it tackles. I do not blame the European Committee for that. It has an almost indeterminate function and can take a scattergun approach. Its basic function, however, is to consider legislation and whether it affects the Scottish Parliament. If the legislation has such an effect, it should be dealt with by the appropriate committee. We are in such a situation now. If there is a direct impact on financial matters, in particular as they affect the budget, that must be the concern of the Finance Committee, albeit with some collaboration.

If there is an element of doubt, for example, over project level, we must decide whether that is the business of the European Committee or the Finance Committee. I think that it is ours. The paper was well constructed by the clerk, and I have no particular argument with any of it. We need to be very firm. Our responsibility, on behalf of the Parliament and therefore the Scottish people, is on all matters financial that affect the Scottish spend. We must ensure that we get that across clearly.

I notice among members of the European Committee, quite apart from the convener, a tendency to look over the fence and say: "That looks interesting. Shall we keep going and have a look at it?" That may be a matter of growing pains, but we have to resolve it early on.

Rhoda Grant (Highlands and Islands) (Lab): It would be interesting to know the feelings of the convener of the European Committee. We should

not be going down the road of arguing with that committee. We should try to find a way forward, rather than say: "It's ours. Get off."

The Convener: Andrew Wilson mentioned the paper that formed the convener's recommendations to the European Committee, which that committee will get this afternoon. I have also seen that paper. The convener's view is that the issues that we are talking about fall within the remit of the European Committee. We cannot deny that they do, but David Davidson made the point, very fairly, that specifically they are our issues, whereas generally they are the European Committee's issues. It is about being specific.

I have discussed the matter with the convener of the European Committee, and with Sarah Davidson and the clerk to the European Committee. At this stage, there is no agreement on who should do what, so we should state our case. If necessary, it will be for the bureau to decide the basis on which any inquiry proceeds—whether it will be a joint inquiry or whether one committee will be designated as the lead committee.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I want to support what David Davidson said. In all matters financial, we should be the lead committee. I do not want an argument or confrontation with anyone, but that is up to the European Committee. It must be acknowledged that we are the lead committee on all matters financial. That is simple and straightforward and there is no argument to be had. If the European Committee wants to investigate other aspects of the structural funds, that is fine, but we are the lead committee on the financial aspects.

Mr Macintosh: I agree with that proposal. It is not for us to decide anyway, so we should just state that we would like an inquiry into the matter and ask the bureau to decide which is the best body to carry it out. Do we want to propose a stand-alone inquiry, or do we want to propose a wider inquiry on the Barnett formula? We will not have time to do anything until—

The Convener: Until after the Easter recess.

Mr Macintosh: Yes, until we have had a series of briefings. Then we will be able to proceed with an inquiry, taking evidence in May. We may not need to decide now, but it might make our case stronger.

Andrew Wilson: That is a reasonable suggestion. There is no question that an inquiry should happen, so to delay until after some briefings on Barnett seems needless. We could take the decision now to crack on with an inquiry into Barnett, of which this matter would form part, but that is a bigger question for the committee. Your guidance suggests that we should press on

as soon as possible with the European question. Whether it is part of the Barnett inquiry does not matter, but we should tee up to have a timetable in place for immediately after the recess.

Mr Macintosh: Do you think that it would make our case stronger if we suggest now that we will have a stand-alone inquiry? We would have to put our case to the bureau.

The Convener: My preference is for a stand-alone inquiry. I think that it would make our case stronger if we are seen to do it as part of an inquiry into Barnett. We have agreed to that in principle. We want to get the briefings first, but there is no suggestion that we will not do it.

I think that we should deal with the European question. It impinges on Barnett and there is some crossover, but there is no reason why the information that we have gleaned from that should not be fed into a later inquiry on Barnett itself. The focus at the moment is on the European aspect, and that seems the most pressing matter.

Mr Macintosh: I suggest that, as convener, you put it to the bureau that we have a stand-alone inquiry. We have room in our timetable to hear briefings immediately after the Easter recess and to hear evidence in May. As David Davidson and Keith Raffan said, the Finance Committee is the right body to conduct the inquiry.

The Convener: We are agreed that we should be the lead committee.

Andrew Wilson: I disagree with Ken Macintosh on the timing. I see no reason to take briefings and then wait until May, given what you have just said about it being pressing. We could kick the Barnett briefings back slightly, but I suspect that they will merge anyway.

The Convener: We will need to take some briefings on Barnett for the European inquiry.

Mr Raffan: This is just a practical problem. I notice that the inquiry would take four to five weeks. Do we know just how much of our time will be involved in the budgetary process after the Easter recess? That is when the full-year process begins and we must send out our survey to the subject committees and wait for it to be returned. Will we have as much time as we think we might?

The Convener: The subject committees must return their views to us by the end of May, so we should have some time before that. Sarah, do you think that a four to five week inquiry could be undertaken between coming back after Easter and the end of May?

Sarah Davidson (Clerk Team Leader): Yes, we would have time to do that.

The Convener: I think that we could do that, Keith. That period is a guide. It may not take that

amount of time; it depends on the availability of witnesses.

Mr Davidson: How long will it take for the bureau to decide whether we can proceed?

The Convener: I am not sure, but it meets every week. Once it has received our recommendation and that from the European Committee, it could decide as early as next week.

Mr Davidson: We should give you permission to proceed without a further meeting to set up the inquiry if the bureau gives us the go-ahead. That would avoid wasting a week in deciding what we will do. I am quite happy with that and I am sure Sarah will be as well.

Sarah Davidson *indicated agreement.*

The Convener: We want to go ahead on the basis of a stand-alone inquiry. As soon as we get the go-ahead from the bureau, the clerks can get moving.

Andrew Wilson: That being the case, I would like to comment—I was going to wait until we discussed it in detail—that if we are looking at the question of the formula and bypassing the block, rather than just the Secretary of State for Scotland, we should speak with officials and others from the Treasury.

The Convener: Did the Welsh Affairs Committee take evidence from the Treasury?

Mr Raffan: They did not.

10:00

The Convener: We need a briefing on the Barnett formula. Andrew, are you suggesting that that should come from the Treasury?

Andrew Wilson: The Welsh Affairs Committee made do with the Welsh Office and academics and we could do that, but speaking to the Treasury would be helpful, especially if we intend to take a wider look at the Barnett formula.

Mr Raffan: A recent European Parliament answer given to Neil MacCormick is of relevance because it talked about additionality at the state level rather than at the regional level. That suggests that it is important that we speak to the Treasury.

The Convener: We seem to have moved on to discuss who we might take evidence from. There are suggestions from the clerks in the options paper, including the Minister for Finance, the Secretary of State for Scotland and officials from their departments. It might be particularly useful to ask Dr Gillian Bristow, as she has been quite widely quoted on the Welsh situation. Does anyone have views? Do you agree that we should have those people?

Mr Raffan: Do we need a special adviser, possibly Mr Heald? It is complex.

The Convener: It is complex but the turnaround is very tight. We will come on to the question of advisers for the current inquiry and we need to remember that recruiting advisers takes time. I am not unhappy about doing that but—

Mr Raffan: We have time.

The Convener: What do you think, Sarah?

Sarah Davidson: It is probably manageable.

Andrew Wilson: Both academics mentioned could fill that role. From other discussions with David Heald I expect that he would be less keen because of the time required. I have no idea about Gillian Bristow, but she has written extensively on the subject. She could be asked if she would give evidence and advice.

The Convener: However, she is based in Wales, and the parallels are not exact.

Andrew Wilson: She may have colleagues in Scotland. I think the report made reference to papers written at Scottish universities.

The Convener: Perhaps Sarah Davidson and Callum Thomson could make inquiries about the possibilities for an adviser.

Mr Raffan: It is important that the adviser be independent. Dr Bristow might be seen as having a particular point of view. It might be better to have someone who is more neutral.

The Convener: A fair point.

Before we move on to item 2, I should have said earlier that Elaine Thomson has sent her apologies.

Scottish Parliamentary Corporate Body Budget

The Convener: Item 2 is the written agreement with the Scottish Parliamentary Corporate Body on the budgeting process. Members have copies of my correspondence with the Presiding Officer, and will note that the Presiding Officer said in his letter to me that the SPCB

"concluded that changes can be made that should meet your concerns."

Members also have a redraft of the agreement. The paragraph which we particularly need to examine appears to be number 9. It is more specific than it was in the previous version, and it seems to answer the points that we raised.

Does anyone wish to comment on it?

Mr Davidson: An almost hands-off sentence was put in paragraph 9, was it not? It says:

"More detailed expenditure plans are properly a matter for the SPCB itself and in any case may not be available in the above timescales."

I am not sure that we have got the message across that we are trying to be helpful. That seemed a particularly defensive statement. I am not sure what comments you have exchanged with the Presiding Officer, convener.

The Convener: I think that you are looking at the earlier draft, David. It has been amended.

Mr Davidson: Have I got the documents the wrong way round, convener? I beg your pardon.

The Convener: The sentence to which you specifically referred has been excised.

Mr Davidson: If I say, "adopt the same approach as the Scottish Executive", is that equally helpful?

The Convener: I think that that or a similar phrase was in my letter. I certainly used words to that effect. I will read from my letter to Sir David Steel:

"The Committee is of the view that this approach does not go far enough in that it expects to receive the same level of information from the SPCB at each stage as it does from the Executive."

That is incorporated in the new version of the agreement.

Is the committee agreed that I write to the Presiding Officer, saying that we are happy with the new wording?

Members indicated agreement.

The Convener: Item 3 is the initial budget proposal for the Scottish Parliamentary Corporate

Body. There is a further letter from Sir David Steel on this. I think that, at this stage, we only need to note that the Executive received the SPCB expenditure proposals. Members will note that, in the fourth paragraph of his letter, Sir David wrote:

"The capital expenditure plans for the SPCB are primarily the costs associated with Holyrood."

We are going to discuss that under the next agenda item, so I simply draw that part of the Presiding Officer's letter to members' attention. I do not particularly want to have a debate on that at this stage if we can avoid it.

Andrew Wilson: This cannot be allowed to happen regularly. If the information in this letter is to form a formal part of the budget process, it needs to be robust. Aside from the wider debate on Holyrood, I cannot conceive of why the information has not been robust. We should make that point before we proceed. The whole point of considering this matter a month early is to assist the SPCB in ensuring that it has an endorsed budget, as it were, before the Executive begins its programme.

To have presented numbers which, by the SPCB's own admission, are not sensible this year strikes me as—

The Convener: What do you mean by robust, Andrew?

Andrew Wilson: It is more a matter of what the SPCB means by robust.

Ms Margo MacDonald (Lothians) (SNP): It will not stand up to scrutiny.

Andrew Wilson: Sir David says in his letter:

"The information on costs and timescales . . . do not allow the Corporate Body to provide the Parliament with sufficiently robust information."

Given that that letter was supposed to form our deliberations on the SPCB's budget before we go on to deliberate on the Executive's budget, it is very difficult for us to do so.

There are clearly difficulties with this year in particular, but I still think that there is a problem with the numbers.

The Convener: Is this not likely to be a one-off because of the particular item concerned?

Andrew Wilson: Yes, I hope so.

The Convener: We hope that, at least by this time next year, things will have been clarified.

Mr Raffan: We may say that this is a one-off, but Andrew has raised a very important point. "Sufficiently robust" is unusually lyrical language. What is really meant is unreliable information.

The Convener: Perhaps imprecise, as opposed to unreliable, Keith.

Mr Raffan: Whatever you like—it is still not good enough. I have talked to one or two architects over the past few months who are extremely concerned about how the project is being run. I do not want to go into the details, but with big projects like this, there is often a continuing problem with costs, let alone with meeting deadlines. We must investigate this matter to ensure that the situation does not get worse. This is an on-going process, not a one-off event.

The Convener: Points have been made about what we expect in future. Sir David is suggesting that there is a problem now. We would not accept such a problem in future.

Mr Macintosh: Can we say that although we accept the SPCB's estimates, we are concerned that its budget processing is not particularly satisfactory, and that although we understand that there are reasons for that, we expect it to be more reliable in future?

The Convener: Yes. That is the view of those who have contributed, and I am happy to suggest that it is the committee's view, which will be recorded in the *Official Report*. We have expressed our opinion.

Andrew Wilson: What happens next with the SPCB figures? Is it the case that they are lodged with us, but that we do not take a view or deliberate on them at this stage?

The Convener: The figures are due to come back to us in August, when the SPCB next reports to us on its expenditure estimates for 2001-02.

Scottish Parliament Building

The Convener: We move to agenda item 4, which members will recall was raised by David Davidson last week. I will ask David to set out his position, but first I will refer to the correspondence from Sir David Steel, dated 1 March, in which he said:

"we have commissioned an assessment of the current position of the project which will be undertaken in conjunction with independent experts. We expect this to be completed in the next 3-4 weeks."

That letter was written a week ago. We should also note that the Audit Committee is considering this matter. It has written to the Auditor General for Scotland, asking him to look at the management of the project and cost overruns, and asking him to report back to that committee before the summer recess.

Mr Davidson: I take those points on board. The SPCB has a duty to get its own information together. The Audit Committee has a role, because it is investigating what has happened. The Finance Committee has a distinct role, because any overrun of the SPCB Holyrood project will impact on the Scottish Executive budget, as approved by the Scottish Parliament, and we have a duty to consider any such impact. A sub-group or reporters could be used to gather intelligence on our behalf, from the point of view of budget impact as opposed to project management. The group could report its preliminary findings to us and recommend whether we need to hold a full inquiry. We could also consider the options that might be available to fund the project if an overspend arises, and what effect such options might have on the Executive's budget; that is the primary function of the Finance Committee.

Those measures would be protective of the budget, which was approved by the Parliament, and would be supportive of the SPCB, which is doing its own thing. However, the Finance Committee and the SPCB have to take account of the Executive's budget and its spending plans, because all funding comes out of the same pot. We have a duty to perform, within our remit, and we cannot simply drop in to a reactive mode when something major has the potential to affect the Executive's budget.

We decided to hold an inquiry into the effects of European funding on the budget. Rather than have another full-scale inquiry by the committee, I suggest that we set up a sub-group, or appoint some reporters, to look in the short term at how and where our influence should be directed.

I will leave it to others to comment further, but

those concerns were behind my comments when I raised the matter last week and asked that it be put on the agenda. The committee has a responsibility, not just to the Parliament, but to the Scottish people, to ensure that public spending is within the budget that was approved by the Parliament.

The Convener: I want to make two points. First, we would require the approval of the Parliamentary Bureau to set up a sub-committee. That procedure seems excessively bureaucratic.

Mr Davidson: I suggested that we could have reporters, if that would get round the difficulty.

The Convener: Secondly, the cost impact could occur in later years if the project is delayed. There might not be an overspend in 2000-01 or the following year, and the impact would not be felt until 2002-03.

10:15

Andrew Wilson: What David Davidson said is correct in many ways. Clearly, the issue is being examined more widely. If the convener of the Audit Committee has asked the Auditor General for Scotland to take a dig at the subject, we must ensure that any work that we do is additional. Perhaps we could allay some of David's concerns under the heading of the item that we just discussed—the SPCB budget. The convener said that we would not return to the SPCB budget until August, but many things will happen between now and August, so I suggest that we keep an eye on the project under that heading. That would not require a formal inquiry. We need merely to keep a watching brief over the plans.

As I understand David's point, if next year's budget is affected, that is a matter for the Finance Committee, which looks forward, whereas the Audit Committee acts retrospectively.

The new Scottish Parliament building is a major capital project, so why is the cost being met out of revenue funding? That strikes me as very odd, as the cost should be met out of traditional borrowing under the golden rule of borrowing to pay for investment. Parliament should discuss those questions, but it has not done so yet. Perhaps that is the route to take.

Mr Raffan: The independent expert, John Spencely, will examine the project over the next three to four weeks. I presume that he will then publish a report and a statement will be made by the corporate body. I also presume that some figures will be produced at that stage and that, depending on those figures, there may have to be an Executive statement.

The Convener: And a debate in Parliament.

Mr Raffan: There will be a debate; the whole issue and the question of where the money will come from will be thrashed out. Perhaps it would be more appropriate to consider the matter again at that stage and to meet the Minister for Finance to ask that question. He may answer the question in his statement and during the debate, but if any uncertainty remains, we should reconsider the matter then. We cannot do much until then.

Ms MacDonald: First, thank you for allowing me to attend.

Timing may prove to be important. I back what Andrew Wilson says; this is the appropriate committee to examine whether this is the sensible way in which to fund such a capital project, of which there will not be many. However, the immediate issue is that money is being spent from the revenue account and that, at some point, that will impact on services. I do not think that the public, whose money is being spent, are desperately concerned whether the impact occurs in this financial year or the next. Costs are being run up. If contracts or penalty or other clauses have to be renegotiated, it is advisable that someone examines the matter now.

I do not know whether you have seen John Spencely's remit; I have, and it is not primarily financial. I would prefer the investigation to be headed up by a quantity surveyor than by an architect. Much of the discussion has centred around the architecture and whether the project is feasible from that perspective. Your job is to count the beans, many of which are being spilled right now.

I do not know whether that is helpful, but I wanted to remind you that the meter is ticking. There have been 35 cement workers on the site, all of whom were contracted and had to be paid, but none of whom had anything to do. Many other people on the site have nothing to do.

The Convener: Thanks, Margo. I know that you have taken a particular interest in this matter, and it is helpful to have your contribution.

There is no question but that it is in our remit to keep an eye on the matter and trace the impact of any delays or Executive or Parliament decisions. It is a question of timing. Keith Raffan asked whether we should act now or wait for the Spencely report. That report will be produced in a month to six weeks, by which time we will have begun our new inquiry. However, if an inquiry into the parliament building were to be undertaken by a sub-group, it would not be as onerous and would not involve the whole committee.

Does anyone want to speak on that point? Keith was the last member to comment on it, and his view is known.

Ms MacDonald: I am not certain, but it might be possible for the Finance Committee to have a look at the contracts that were agreed. If you wait six weeks, you will be into the new financial year. If John Spencely's report drifts—and I think that it will have to—you will have to wait until the new Auditor General takes up his post on 1 April. He will have to get his feet under the table before he can produce a report, and you will then be well into the summer, when the Parliament is in recess.

There is some urgency to look into this matter. Moves must be made in advance to curb current expenditure on the project, before the final decisions have been made on the feasibility and advisability of proceeding at Holyrood rather than going elsewhere. I am not jumping to conclusions; all I know is that it is a gey expensive hiatus if we wait until the other reports are available.

The Convener: I take that point, but I want to repeat my earlier point. The Audit Committee has asked for its report before the summer recess, and would not allow the matter to drift beyond that period.

Mr Raffan: I am not sure that I agree with Margo's last point about looking at the contracts. I would have thought that that was within the remit of the Audit Committee. Her first point is important, however. In light of the fact that John Spencely is an architect—and Margo drew a distinction between an architect and a quantity surveyor—it may be appropriate for us to examine his remit. From our perspective, the figures—or the beans, as Margo calls them—are crucial, as is the rate at which the money is being spent. We must ensure that we receive robust financial information at the end of the exercise. I presume that John Spencely will be able to call on quantity surveyors. It might be worth while for us to consider that.

Mr Davidson: We need to examine the variance from the agreed budget, because it will have an effect on the roll-out of the Executive's budget and spending plans. We have a responsibility to ensure that any variances are examined by the Finance Committee. The variances may be positive—I have an open mind on the subject—but I suspect, from press commentary, that that might not be the case, and the committee needs to get to grips with the matter.

The Convener: Might it be an idea for us to agree to appoint a reporter? We could ask the clerks to provide us with a remit for that reporter next week, and agree then who the reporter would be. By that time, certain things might be a bit clearer, such as the Spencely remit or the impact on the budget, whether this year or in future years. One of our number could report back to us on that, then we could decide what course to take. It would have to be pretty short and sharp.

Andrew Wilson: I suggest that we place it in the context of the SPCB's budget submission to us, otherwise issues might arise such as our stepping on the toes of the corporate body or other committees. We need to get away from that; the Parliament needs to be seen to be steady on what it is doing with its own structures. From the outside, people will not draw a distinction between committees and bodies. We must be seen to be getting our act together on this matter.

Mr Davidson: Having brought this matter to the committee—and I am grateful that the convener put it on the agenda—I am happy to take your suggestion on board.

The Convener: The clerks will come back with a projected remit for a reporter, including the time scale.

Accounting Policies

The Convener: We move on to item 5 on the agenda. Members have received the memorandum from the Minister for Finance, in response to the letter that he received in the names of myself and Andrew Welsh, convener of the Audit Committee. Members will see the minister's comments and the fact that he wants our comments by the end of this week. Any decision that we take today will enable us to respond by then. The Audit Committee will indicate its views separately.

Mr Davidson: I agree with paragraph 25, that common standards must be applied across the public sector in the UK. We must start from that premise. It is vital that anybody, anywhere within the public sector operators and anybody who takes a view on them, understands that we operate to a common standard. We do so in business and other walks of life—why should we not do the same in the public sector?

That said, I did not find anything untoward in the minister's comments. Paragraph 11 states that

"the Treasury no longer has a role in the issue of any form of accounts direction."

I would like to tease out a little—perhaps with the help of the clerks—how the differences will come up and what effect they would have in the long term. Paragraph 12 also relates to that matter.

The Convener: What do you mean by "tease out"? Do you want a response now?

Mr Davidson: Yes. The minister has asked us to comment. Item 11 states:

"the Treasury no longer has a role on the issue of any form of accounts direction".

Item 12 states:

"under section 96 of the Scotland Act 1998 'the Treasury may require Scottish ministers to provide . . . such information in such form'".

Is item 12 an extension of the current Treasury role of deciding which form of accounts we should use? If there is a variant—and there could be if, for the sake of argument, at the next election the Conservatives take Westminster and the SNP takes Holyrood—there would be a need for common working. We would not want friction. We are trying to establish a mechanism whereby everybody agrees that we are going down the same route.

The Convener: No one would disagree with that, but you are looking at the earlier draft.

Mr Davidson: I am looking at the papers that were e-mailed to me at the weekend. I apologise; my wife was in several hospitals last week, so I

just took what was e-mailed to me.

The Convener: The updated version is attached to the minister's letter of 17 February. I think that your point about paragraph 12 has been clarified. The function of the memorandum is to clarify those points.

Mr Raffan: Given the amount of information that we received, I sympathise with Mr Davidson's problem. It might be helpful if documents were stamped clearly with a date, so that it was clear which document was earlier. The coding at the top probably indicates that, but a date would not go amiss.

The Convener: There were four papers on my e-mail this morning from the Institute of Chartered Accountants of Scotland, about accounting standard setting and so on.

There are an unusual number of papers for this week's committee because there are an unusual number of items on the agenda. All my papers are headed with handwritten codes that coincide with the sheet outlining the relevant papers. Some are a paper copy only and some came by e-mail.

The point that David Davidson raised about paragraph 12 is addressed in Jack McConnell's revised version. We need some time to consider that again.

Mr Davidson: Could you point out the paragraph to me?

The Convener: Paragraph 12—I do not think that the paragraph numbering has been changed.

10:30

Mr Macintosh: There is a summary at the back of F1/00/6/5. Paragraph 29.2 states that

"the format of accounts will be determined by agreement between Scottish Ministers and the Audit and Finance Committees".

In other words, it is not dictated by the Treasury. It is saying that the Treasury lays down the accounting principles. However, we—along with the Audit Committee—determine the format of accounts. The Financial Reporting Advisory Board is setting minimum guidelines, which ensure that everybody is singing from the same hymn sheet. The implication—in fact, it is more than an implication—in this document is that we will ask for far greater detail than will be needed. What the guidelines are asking for is a minimum.

Mr Davidson: I accept your comments. My concern is that we should have a uniform system in public service throughout the UK.

Mr Macintosh: That is what this does. When we discussed this before, I think that Andrew Wilson and John Swinney objected to the way in which it

was done. I did not object, because it seemed that it was being done for cost reasons and in order to have common ground, rather than Treasury control. I would have objected to the latter, if I had thought that it was the reason.

Andrew Wilson: The relevant *Official Report* shows that I said that I was reasonably relaxed about the whole format, but I thought that we needed more information at that stage about its implications. The comments that were made on the need for uniformity were fine, but the point of devolution is quite the reverse. That was the motivation behind what I said.

However, the point that is made in paragraph 29.5 is reasonably comforting. This is the sort of thing on which we could take advice, once we have an adviser in place. It is a matter of conjecture at present—we are looking at structures of which none of us has much experience. We will not know what the outputs will be until we see them, so we should not get too worked up at this stage. It seems reasonable to allow people to come back with a finalised arrangement after discussions with the Treasury and the chairman of the FRAB. I have no objections to what is before us.

The Convener: Are we, as a committee, in a position to indicate that we are quite happy with the clarified version? We can inform the Minister for Finance by 10 March.

Mr Macintosh: At the end of the original letter, it states:

"The Committees are asked to support the recommendation that officials should negotiate a suitable extension to the remit of the FRAB together with Scottish representation on the FRAB."

The Convener: On the basis of the clarification, we are offering that support.

Mr Macintosh: Exactly.

Bills (Financial Provisions)

The Convener: Members will be aware that item 7 relates to the Standards in Scotland's Schools etc Bill and the Census (Amendment) (Scotland) Bill. My note questions the value of the role that we are playing and asks whether that role might more usefully be passed on to the subject committees. I would like to hear comments on whether the sort of activity that we are undertaking today would most usefully be done by this committee. There might be some feeling that we should hold on to that power.

Rhoda Grant: I agree with what the note is saying. However, if the subject committee, in considering the financial memorandum, felt that it was not properly covered in the budget, or had not been budgeted for, it might want to refer it to us for comment. I can see that it would be able to scrutinise the matter better than us, but if an issue came up, it could refer it back to us to consider.

The Convener: We seem to have assumed that role—it is not set down anywhere. The question is whether we should have that role in future. For another committee to refer the matter to us would be perfectly acceptable, if it considered that to be appropriate.

Mr Macintosh: I agree with the gist of what you are saying. We have a thoroughly unsatisfactory process at the moment, in that we are trying to make decisions without enough information and we are doing little more than rubber-stamping what the Presiding Officer has already done.

I agree that the subject committees are the appropriate bodies to explore further the financial implications of policies, but I would hesitate before giving up our role altogether. Further to the suggestion in your note, I would ask the subject committees to provide a more detailed explanation or endorsement of the financial implications of the two bills. It is up to the Finance Committee to endorse those budgets.

The reason I say that is that any individual committee—for example, the Education, Culture and Sport Committee, of which I am a member—will be considering and approving the policy, then approving a reasonable cost for that policy. We can all operate outwith our own committees, and we will be endorsing the cost of that policy within the framework of considering the objectives that we are trying to achieve in education. The Finance Committee has a more strategic position and will endorse the cost in the framework of the overall budget. We should not give up that remit.

I agree that at the moment there is not enough information in the two bills. The subject committees should be asked to analyse the

financial provisions of a bill and comment on it. Those comments should come before us.

The Convener: I take your point, but we do not officially have that remit to endorse. That is for the Parliament.

Mr Macintosh: Why are we doing it at the moment?

The Convener: We just drifted into it. It would seem to be the most obvious place for that to be referred to. It is not provided for in the standing orders.

Dr Richard Simpson (Ochil) (Lab): I agree with Kenneth Macintosh. The same process that we operate for the budget as a whole should be used in this instance. Subject committees should be asked to comment on the decisions about where money will be found. If additional money is required, the matter should come back to this committee, which would decide where the money should be found.

If ministers have said that money will come from the reserve fund, it is reasonable that subject committees should comment on that. I am concerned that we might end up in a situation in which something that requires additional expenditure is landed on an outside agency without additional funding being available.

We should try to establish working relationships that are similar to those that we have for the budget as a whole.

The Convener: Do you mean relationships with the subject committees?

Dr Simpson: Yes.

Mr Raffan: The memorandum is useful. The current situation is unsatisfactory, but I am loth to give up the power that the committee has. Kenneth Macintosh made a good point about working through the subject committees. I find some of the financial memorandums distinctly unhelpful. The memorandum attached to the Census (Amendment) (Scotland) Bill says that it has not been possible to estimate the costs that would be incurred by the Administration in relation to the inclusion of the additional question. That is not helpful.

The memorandum that comes with the Standards in Scotland's Schools etc Bill says:

"In general, apart from the projected refinancing arrangements . . . there will be few additional costs that arise as a direct result of the Bill."

To be fair, the document goes on to give more detail. We should be working in a devolved way through the subject committees. We should, perhaps, guide them regarding the questions that they should ask about financial memorandums.

Responses could be sent back to the clerk of the committee in a uniform format. In most cases, it is likely that the committee will do nothing, but it would be useful to have feedback.

The Convener: We do not have the power to ask committees to do that. This committee has assumed that role. A glitch might result from the fact that the subject committees have already expressed concern about how they will fit the budget process into their programmes of work. They must do that, however, but they might not welcome the fact that they might also have to consider financial memorandums. I have not spoken to any members of other committees about that, but some concern was expressed at the conveners group, in particular regarding this year's budget.

Mr Davidson: I, too, found your note helpful.

Through you and the conveners group, should not we recommend some form of standardised template via which the subject committees could report to us? That would provide guidance for those committees and would be useful to the Finance Committee.

The Convener: That is what was done in regard to the budget, and the reaction to it was as I said. If the subject committees are to be involved, it would make sense to do as you suggest.

Andrew Wilson: This harks back to a discussion that we had at one of the committee's earliest meetings. When I seek to promote the Scottish Parliament to people outside the Parliament, I mention the fact that bills have attached to them detailed assessments of costs to the private sector, to local government, to the voluntary sector and so on. Such attachments are very good, but that practice has not always been used. Is that due to the fact that the financial issues advisory group's recommendations are being met only in spirit? As Keith Raffan pointed out, there is no assessment of financial implications in the two accompanying documents to which we have referred. We can make representations to try to ensure that the documents that accompany any bill include a proper stab at such an assessment.

None of the parties that are represented on the committee would get away with publishing manifestos that did not include such information, as is done routinely with bills. The attempts at assessment might subsequently be argued over, but it is not good enough to see a bill that has a range of financial implications being presented without such assessments.

The committee's role is to ensure that the details that we get and the format in which we receive them are adequate. If that was the case, half the arguments that the committee has would not

occur. I would not object to rubber-stamping a bill if it contained information that allowed me to make a judgment about it. At the moment, the committee is rubber-stamping bills the financial implications of which we know nothing about.

The Convener: We need not make a decision today—there is no urgency.

Rhoda Grant: Subject committees have more relevant information that would allow them to rubber-stamp bills. They will know about financial implications of bills through their processes of scrutiny.

We must provide the subject committees with a form that will allow them to provide information for the Finance Committee. We do not want to make them jump through another hoop if they are satisfied with their scrutiny of a bill. Most of the time we will only examine and note such information. We should allow the subject committees to scrutinise the financial memorandums and then refer any financial problems to us, rather than merely leaving us to rubber-stamp bills.

Mr Raffan: I disagree. It is important that we establish a process and a routine. It is not a huge burden on a committee to indicate to us that there is a problem. The form could be kept simple so that it does not involve a lot of extra paperwork.

Regarding the Standards in Scotland's Schools etc Bill, the financial memorandum says that costs "that do arise will tend to fall on local authorities."

That is all very nice. Local authorities complain that they have to absorb the cost of the introduction of bills and of consultations with no help from Government. That is crucial and it is an issue in which the committee should be involved.

10:45

Dr Simpson: That is exactly the point that I was trying to make. The decisions should relate to the people who have to meet that expenditure. If it is a local government issue, the Local Government Committee should ask whether local government will have to meet the cost from within its funds or from other funds that will be made available. If it is felt to be appropriate, the committee should have a debate with the people who will have to meet the expenditure. The same applies to health: if a matter is being passed to a health board to absorb, the Health and Community Care Committee should say that there will be no additional money.

That clarity is essential to the democratic process. For too long, authorities have been asked to absorb great and beautiful new ideas that do not look expensive but which turn out to cost a lot

of money. That must stop.

The Convener: There seems to be general agreement that the subject committees should play a greater role in the process.

Andrew Wilson: If the subject committees play a greater role, we should ensure that they have the tools with which to work. Nothing in this or in any other bill gives us that ability. I believe that we have discussed this before. If Sarah Davidson advises us who drafts the policy memorandums, we could ask that the format and the detail be more robust. At the moment, no one can make decisions on the basis of those documents.

The Convener: We can do that. I assume that we would talk to the appropriate officials in whichever department the bill comes from.

Perhaps Sarah Davidson could have a word with some of the clerks on the subject committees, to see how they think their committee might react to the suggestion.

I am reluctant to take up David Davidson's suggestion that I put the matter on the agenda of the conveners liaison group. However, I might do that at some stage.

Mr Davidson: The clerk could investigate the extent of the responsibility of someone who produces a bill to include a clear financial statement in the policy memorandum. I thought that the standing orders hinted that an indication of the cost of a bill was obligatory.

The Convener: From my personal experience of organising a member's bill, I can say that there is a requirement to include an indication of the cost. If there are financial implications, the bill is put on an entirely different footing.

Mr Davidson: If that is the case, why is the Executive exempt from that requirement?

The Convener: It is not exempt from the requirement.

We have had a useful discussion; we will take the matter forward after we have heard the views of other committees informally, through the clerks.

Standards in Scotland's Schools etc Bill

The Convener: We will now move on to the aforementioned procedure.

I think that your sigh is quite appropriate, Keith, but I do not know whether the *Official Report* has any way of recording sighs.

The financial resolution relating to the Standards in Scotland's Schools etc Bill has been published. I understand that the stage 1 debate is likely to take place on 22 March.

We have already heard Keith's view on the financial memorandum. Does anyone else want to comment?

Andrew Wilson: The information tells us that, in raising standards, local authorities would incur consultation costs. The amount incurred would depend on how many people were consulted. The information is bananas and does not allow us to make a serious assessment of the cost of this policy.

The same applies, further down the page, to inspector days. Three new inspectors will be required, but the resources available to the Executive will not be increased. That means that somebody somewhere will lose out. Again, the cost implication of that is not detailed, and so it goes on throughout the document. I may be being overly critical, but I suspect that the spirit of having a financial memorandum has not been followed through by whoever is in charge of drafting these things.

The Convener: Those are general points. We are talking about the Standards in Scotland's Schools etc Bill. The points that Keith Raffan mentioned have some resonance.

Dr Simpson: If the Executive is making that sort of comment about appointing inspectors, it should be indicating which part of its current budget it proposes to take the money from. We have already technically approved a budget, or the Parliament has done so. If it now proposes a change—albeit not at a level of £50,000—and increased costs, the same principle should apply to the Executive as applies to subject committees in the budget system. It should be told that it must state where the money is to come from. Will it come from a section that is having efficiency savings? Are people comfortable with that? We should be able to call people from that department before us to ask them whether they are comfortable with what the Executive is doing.

The Convener: Ken, you are on the Education, Culture and Sport Committee. Have questions

been asked about the impact on local authorities?

Mr Macintosh: I asked HMI specifically what the costs would be. The chief inspector said that it would cost three extra places, which is exactly what this document says. I agree that the information is unsatisfactory. The absolute minimum we need is a recognition that there are financial implications, but I am not sure that we are getting that. Beyond that, we should ask in future for further information on where money is coming from.

One item that is not in the bill at the moment is the mainstreaming of special needs education, which may be introduced later. We can think about it then, but it has not yet been costed and it could have major implications. When the Education, Culture and Sport Committee took evidence from the Educational Institute of Scotland and the other unions, one witness said—almost as a throw-away line—that the only piece of policy guidance that has ever been costed was the original implementation of the five to 14 curriculum, back in the 1980s. No other guidelines have ever been fully costed.

It is interesting that costings are not done at that level. If we do not ask for it, it will never happen, so we must keep leaning on people for it. As I said, mainstreaming of special needs education is not here yet, although we expect it to be introduced soon. I accept the bill as it is at the moment.

The Convener: Are we to expect an amendment?

Mr Macintosh: I think so. I could give you more information, but it is not—

The Convener: It is not really our concern at this stage.

Mr Raffan: Looking at the section of the document on costs to local authorities, it just gets more and more bizarre. I will not quote directly, but it says that the inspection of educational facilities will incur some additional administrative costs. Every local authority is different, so it is not practical to say how much those costs will be. Local authorities are complaining like mad that all this stuff is being shoved their way with no estimates. At some stage, we should have the local authorities in and ask them about all this stuff that is coming down on them that is not directly financed.

Even if it is impossible to estimate costs for the first year, perhaps there should be a process by which local authorities can submit, after the first year, the costs and information on how they have financed them, so appropriate adjustments can be made and nobody has to rely on the imprecise and certainly not robust formulae that we use at

present to decide the local government financial settlement. I sympathise with the Executive's predicament as the situation differs from one local authority to another, but the document is far too vague. It is not even giving information; it is just saying there is no information.

The Convener: The question is whether we can ask for more detailed information and, if we did, what the practical effects would be.

Mr Davidson: In section 49, there is a right to borrow money. What set of rules does that have consequences for? Does it change public borrowing? Who borrows from where? What are the rules? It simply says:

"The consent of Scottish Ministers is required".

That is not clear enough. If there is borrowing, we need to know where it will come from, who accounts for it, who pays it back, whether it is in addition to something else and whether it is a transferred borrowing power. None of that is specified. We need to tease out that sort of information for all these documents as we receive them.

The Convener: Are there any other comments on the bill?

We should formally note that financial provisions will be acquired through the Standards in Scotland's Schools etc Bill.

Mr Raffan: Is that all we do?

Dr Simpson: I am not quite sure about S1M-460. It talks about expenditure as a consequence of the act. Does it allow the Executive to pay money over to local authorities or is that just the Scottish Administration's expenditure?

The Convener: That is standard wording.

Dr Simpson: Standard wording from another time and another place perhaps. Should that apply or should we at least question the wording and ask whether it meets the needs of this Parliament?

Mr Macintosh: That wording just allows money to follow the implementation of policy. It does not say where the money comes from—information that we need. The purpose of the motion is only to give agreement to the Government spending the money.

The Convener: It is standard, Richard. The point is—

Dr Simpson: I accept that.

The Convener: Item 6 is on financial provision in bills. I think we have something to contribute on how the process can be improved. For the moment we must note that financial provision will be necessary, for the bill to proceed.

Dr Simpson: I am simply suggesting that we tag

something on to S1M-460. Even if we accept the wording of this motion because it is the standard form, we should not let it go past without commenting that in future we will not necessarily accept that form of words. As Ken says, it enables the Executive to spend money from any source on anything, in consequence of the act. That is not acceptable.

The Convener: I do not want to prolong this discussion, as we will come on to the issue in a broader way.

Mr Raffan: I do not want to prolong the discussion either, but a letter should be sent to the Minister for Children and Education and to the Minister for Finance expressing our concerns that the implications for local authorities are not clear enough. Local authorities complain about it.

Sooner or later, this committee will take a stand on an issue such as this, even if that means having local authorities before us and going into it in more depth, through an inquiry. Frankly, I am not here to rubber-stamp it and I am not happy with this.

Dr Simpson: I am seeking an assurance from the minister that any additional costs on local authorities will be defined and met from the central fund, not from within the existing settlement for local authorities.

11:00

Andrew Wilson: As far as we can make out from the financial memorandum, that is not what is happening.

Dr Simpson: That is why I am raising the issue.

Andrew Wilson: As Kenneth Macintosh says, there is little that we can do other than conduct an audit. After that we can issue a detailed request.

The Convener: We can conduct an audit, then raise those points in a letter to the Minister for Finance.

Census (Amendment) (Scotland) Bill

The Convener: The final item is the Census (Amendment) Scotland Bill. Are there any comments on this, apart from mention of the paucity of information? This is emergency legislation.

Mr Raffan: Perhaps someone can clarify this for me. Is it adding a question to the census form?

Mr Macintosh: It is not. It is changing the law so that a question may be added. At the moment, a question on religion is not allowed.

Mr Raffan: I presume that the financial memorandum covers the cost of the form and everything else. Are the forms printed already? Will they have to be reprinted?

Andrew Wilson: There are the financial implications of publishing the bill as well.

The Convener: Let us redirect our attention to the memorandum.

Andrew Wilson: No comments.

The Convener: We have made remarkable progress: we have dealt with eight items in an hour and a quarter. As was agreed previously, we will now move into private session to consider advisers.

11:02

Meeting continued in private until 11:18.

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