

# **FINANCE COMMITTEE**

Tuesday 25 April 2000  
(*Morning*)

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## FINANCE COMMITTEE

### 10<sup>th</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

#### WITNESSES

Professor Irvine Lapsley (Adviser)

Professor Brian Ashcroft (Adviser)

The Minister for Finance (Mr Jack McConnell)

#### CLERK TEAM LEADER

Sarah Davidson

#### SENIOR ASSISTANT CLERK

Callum Thomson

#### ASSISTANT CLERK

Sean Wixted

#### LOCATION

Committee Room 1



## Scottish Parliament

### Finance Committee

*Tuesday 25 April 2000*

*(Morning)*

[THE CONVENER *opened the meeting at 10:43*]

**The Convener (Mike Watson):** Colleagues, I open this meeting of the Finance Committee and welcome you back after the recess. I make my usual warning about mobile phones and pagers—that has sent one or two members scurrying, I see.

As you can see, we have a fairly lengthy agenda. We have had apologies, as far as I am aware, only from George Lyon.

### Budget Process

**The Convener:** Item 1 is consideration of the budget process. We are joined by the committee advisers, Brian Ashcroft and Irvine Lapsley, whom we are pleased to welcome. This should be an opportunity for the advisers to introduce themselves formally to the committee—although both have met us on previous occasions—and to suggest ways in which we might oversee the budget process.

I shall ask the advisers to outline how they see their involvement with the committee during stage 1 and to suggest what the committee's role might be in terms of maximising our impact on the budget process. As we know, the budget document has gone out to the other committees, which are already considering their input.

**Professor Irvine Lapsley (Adviser):** Thank you for welcoming us, convener. At stage 1, the big issue will be determining whether the various plans in "Investing in You" fit together coherently. A major thrust of our work is to consider any presentational issues that need to be examined from a finance angle. There are also many issues tucked in behind that. As I said at a previous meeting, the whole process of budgeting and reporting is at a developmental stage. The committee should consider how the document has been put together, with a view to improving the process.

There are two important issues. First, we must help the committee to get a handle on the projected outcomes and to find out whether there is coherence in the plans. Secondly, we must examine what underpins the plans and see whether we can improve the process, taking note of the fact that it is still very much in a

developmental phase.

**Professor Brian Ashcroft (Adviser):** I broadly agree with that. It is important that the committee gets a handle on what is in "Investing in You" and how that relates to previous spending plans, and on the degree of consistency within "Investing in You". I have seen only the Photostat version, but I can see several problems with the presentation, such as the comparison of level I figures on one page with the summation of level II figures on another page. There are also problems with the presentation of cash and real-terms figures, which should be the same in the base year, but are not.

There are clearly difficulties that the committee must deal with before moving on to the more sophisticated issues that Irvine Lapsley has mentioned, such as consistency, economic efficiency—what money is spent on, whether that spending is appropriate in relation to the objectives and how that relates to desired outcomes—and technical efficiency issues about how objectives are to be achieved. Given the increased spending, those important issues can be associated with cost efficiencies, and the committee may want to get a handle on that.

The presentational issues—what is in the document and whether it is clear and transparent—are crucial. Once that has been dealt with, the basic issues of efficiency and effectiveness can be handled. Some issues that cut across subject areas will arise from that, and the committee may want to take responsibility for considering those. There are also many technical issues that the subject committees may find that they cannot deal with; it will be up to the Finance Committee to push the other committees to deliver on those technical issues. That process has already started with the document that has been circulated, and the committees will report back in May.

That is broadly how I see the situation but, like you, I am learning.

**The Convener:** We are all learning, which is part of the excitement of the process, of course.

Andrew Wilson has e-mailed me with the points that he wants to raise about the presentation of the document.

**Andrew Wilson (Central Scotland) (SNP):** My concerns are reflected in Professor Ashcroft's comments. When we initially got the pre-release version of the document—which I guess was written before the budget changes—I was struck by several points.

First, the document contains less information than "Serving Scotland's Needs" used to—it is far less substantial than even the old departmental report was. Secondly, it is a large step backwards

in consistency of presentation of real-terms figures. It breaks down the figures into explicit level II and III figures, which is good, but the way in which real-terms figures are presented is bizarre. If that is a signal of how the Executive sees the budget process, I have very grave concerns about it. Early comments from members of the committee would be useful. My concerns are all detailed in the e-mail that I sent, which I will be happy to copy to other members if that would be useful.

**The Convener:** The direct role for this committee will be delayed for some weeks until the subject committees come back with their comments and we can begin to draft the report.

One of the things that we discussed was what role, if any, the committee might have in the deliberations of the other committees. We took the view that we did not want to send out emissaries, as it were. We certainly did not want those of us who are on other committees to have some sort of split responsibility in those committees—that has not been suggested, but we want to keep an eye on the process. How best are we to do that? Will the clerks tell us how we can or should monitor how the other committees are considering the budget? We can study the reports of their meetings, but is there anything else that we should do during that period?

**Sarah Davidson (Clerk Team Leader):** The subject committees have all set their own timetables for considering the budget, and they must all reply to this committee by the end of May. It is for this committee to consider whether it wants to monitor the progress of the subject committees in the intervening period, or whether it is happy to wait to receive considered comments at the end of the period.

**Mr Keith Raffan (Mid Scotland and Fife) (LD):** I recall that, when we discussed this matter initially, it was suggested that members of this committee could act as rapporteurs for each subject committee during that intervening period. However, that would probably burden committee members with too much work. Another suggestion was that, after 31 May, once we had received submissions from the committees, a member from each committee—a rapporteur from their side, so to speak—could elaborate on or clarify the surveys that they had completed. Those two ideas might be worth reconsidering. Perhaps we should monitor the committees until the end of May, particularly as this is the first time for the process.

**Mr David Davidson (North-East Scotland) (Con):** I agree with Keith Raffan. I worry that, if we just leave the committees to get on with it and to turn up with a final report, that final report might not be in a form that we can use readily without going back to the committees. We ought to be

involved with the subject committees, at least at the preliminary stages of producing a report, so that there is some general uniformity in the way in which information flows back to us.

We are dependent on the work that those committees do and the detail that they go into, and we must try to pull all that together in a fair and responsible manner. It is therefore important that we are seen not as the enemy or as another set of arbitrators, but as providing support to help those committees to do their work as efficiently as possible. We should try to pull things together at an early stage, rather than leaving everything until the last minute and having a mad scramble.

**The Convener:** You make a fair point about playing a supportive role. That is certainly what we intend to do and that is how it should be. However, I am less sure about our taking a proactive role in formally monitoring the committees. Let us not forget the fact that we have given the committees a pretty clear steer on the areas on which we want them to comment. They are not restricted to commenting only on those areas; they can go further if they want. However, our advice gives them a basis for their consideration of the budget.

Sarah Davidson has reminded me that the clerks from all the committees will be meeting regularly throughout the process to try to pull together the considerations of their various committees. The Scottish Parliament information centre will also have some input, so it is not as though the process will be running in a compartmentalised way.

**Mr Davidson:** Will we, via the clerks, be able to get interim reports so that we can look at them as we go along?

**The Convener:** I shall come back to that point later, but I know that John Swinney would like to comment—he has direct experience of such matters from the Enterprise and Lifelong Learning Committee.

**Mr John Swinney (North Tayside) (SNP):** I support the comments that you have made, convener. I find it hard to see how all the subject committees can do as David Davidson has suggested and produce material in a standard format. The committees will all consider the budget allocations in their areas from their perspective—one committee may be pleased with the allocations and another may think that the Government is not allocating enough resources to deliver on a certain policy priority. Those judgments have been teed up for the other committees by the input of the Finance Committee.

The Finance Committee can help at this stage by stripping out some of the common issues—presentation, for example, which was raised by

Brian Ashcroft. When, before the recess, the Enterprise and Lifelong Learning Committee looked at the material that was relevant to it—although I admit that the material was a Photostat, it was pre-budget and there were typographical errors—we could get nothing to add up for the level II and level III figures. On issues such as that, which are common to all committees, this committee can help, but each committee is better left to raise its own concerns in its own policy area. There has been a lot of guidance. I had some guidance during the recess from Kate MacLean and from you, convener, on wider, equal opportunities issues. Those are the kind of things that each committee has to chew over. However, if there are issues of process that apply across the board, the Finance Committee can undoubtedly keep the other committees informed.

**The Convener:** On David's point, I think that it would be unrealistic to expect to receive progress reports from the clerks. We want to co-ordinate the work of the committees. If I may speak for Sarah Davidson, our clerk, we must ensure that the committees are focusing properly, as the budget process intends.

**Mr Davidson:** I do not dispute that. We can give a lot of help.

**Rhoda Grant (Highlands and Islands) (Lab):** I do not think that it would be helpful for each member of this committee to take responsibility for another committee. People would end up tucked into different committees, whereas we have to keep an overall view. If we give the right guidance to other committees and their clerks, that should be sufficient.

**The Convener:** Let us be absolutely and brutally honest: we know the system better than the other committees do.

**Dr Richard Simpson (Ochil) (Lab):** If the committees come back and say that there is not enough level I spending in their area, that would be a matter for us. We would need to have fairly close communication with them to discuss the matter. At level II and below, it would be a matter for them. It is surely their responsibility to work out what they are doing. Our responsibility is to consider whether the global targets are being met.

The cross-cutting issues are of the greatest concern. An example is expenditure on tackling drug abuse—which of the subject committees will consider how to draw the different elements together? The Social Inclusion, Housing and Voluntary Sector Committee is considering drugs, but only one aspect of the issue; it is not necessarily the lead committee on that subject. We will have problems with issues of that sort.

**Mr Kenneth Macintosh (Eastwood) (Lab):** I understand that we have issued a pro forma of

sorts to the committees, which now have to report back to us. I assume that we will have enough time to interpret those reports, so that we can, if we want to, call committee members or conveners to answer questions on their reports. If there is nothing controversial, that could be done by letter. However, if we need to question committee members directly so that they can explain their concerns, does our timetable allow us enough time to do that? I think that it does, but I cannot remember the dates that we had agreed.

**The Convener:** If every committee had to come before us, that would be very difficult. However, there is some time available in early June.

11:00

**Mr Raffan:** I presume that it would be possible for us to get copies of the extracts of the *Official Report* that cover each committee's discussion of the budget. That would be helpful for us and for the special advisers. I am not sure that I agree with Rhoda Grant: I think that it might be helpful to have a liaison person with each committee, which could be arranged by you, convener, and the clerk. Getting extracts of the *Official Report* would help us to monitor budget discussions, and would allow us to check that everything was on track. If anything was way off beam, we would quickly notice.

**Andrew Wilson:** From a logistics point of view, it would be difficult to do anything other than get feedback from clerks on what is going on in other committees. Over the next month or so, until we get reports back, I suggest that the committee, using the advice of our advisers, should make its views known on "Investing in You", indicating where we think it does well and where we think that there is room for improvement. That is a way in which we can make a decent contribution to the process at an early stage. Our comments would perhaps be taken note of for next year's report.

**The Convener:** Brian, you mentioned the presentation of the document. Can you expand on that?

**Professor Ashcroft:** I think that, instead of this committee writing a report at the end of the process, the process should be on-going, allowing committees and clerks to question the Executive to get some feedback and to find out whether our concerns are justified.

There are some obvious points to make about the presentation. For example, level I figures should stack up with the aggregations of level II and level III, which does not happen at the moment in several areas.

**The Convener:** That just seems bizarre.

**Professor Ashcroft:** I repeat that I am speaking

about the Photostat, not the published document, which I have yet to look at.

To give another example, the base year figures, when deflated to real terms, should be the same as the cash figures. However, in many cases—the figures for the Crown Office, rural affairs and transport, for example—they are not, and the differences are significant. Those are basic things, which could in part be a result of typos, but the numbers should be consistent from the presentation in level I through to the level II and level III figures for individual subject areas. It should all add up.

Another point to make on presentation is that there are some areas of spend that do not fall within subject committee areas. Information needs to be given about those areas of spend.

We also need some comparison between what has happened previously and what is happening now. For example, how does the way in which national health service staff pensions and teachers' pensions are treated now compare with the way in which they were treated previously? From a fairly superficial run-through of the document, I cannot find that out. When figures are moved around and are put into subject areas, as has been done in the document, we are no longer comparing like with like when we consider the figures for previous years. There has to be a way of comparing like with like, and if information is not available to allow that, an explanation should be given.

**The Convener:** This question may be unfair, but I will ask it anyway. It has been suggested—specifically by Andrew Wilson—that the current presentation is a step back from previous presentations. Do either of the witnesses think that that is the case? If it is the case, is it because good intentions have gone wrong or because there was no intention to move forward? The Minister for Finance gave us fairly firm commitments, which we accepted. I understood that the intention was to be much more forthcoming.

**Professor Ashcroft:** I would not generalise in that way. There are improvements in the presentation and it has some advantages—for example, in the expression of its objectives, in the inclusion of some indicators and in the clarity of the language. However, there are still problems of presentation, in the consistency of the numbers and in terms of this committee and the subject committees being able to understand what is going on. There is considerable room for improvement. We operate in a world of incremental improvements, and improvements have been made. However, we should not rest on our laurels.

**Professor Lapsley:** The numbers should all articulate. Any aggregation of numbers should reconcile with the base numbers. That is absolutely fundamental; it is not a presentational matter, it is a substantive matter. Any deviation from that should not happen—end of story.

As for the presentation and the way in which documents are put together, a number of criteria should apply. This is a comprehensive document, and accessibility is an issue. In some ways, the test of this document will be how well the subject committees perform. If they can follow it and—despite not being experts on finance—ask really good questions about it, the document has done its job. That is a pragmatic but useful test of the document.

**The Convener:** That goes beyond the committees. The document was launched last week as a public consultation document, so the wider public are expected to be able to respond to it.

**Professor Lapsley:** An attempt has been made to make "Investing in You" accessible, through the small accompanying document. There is detail for people to probe. The Executive is moving along the right lines, with resource accounting, performance indicators—as Brian Ashcroft mentioned—and analysis of policy on spend.

However, articulation should be buttoned down; there should be no discrepancies between figures. It may be useful, as Andrew Wilson suggested, to make general comments to the Executive on the merits of the document—not only on numbers that may not reconcile but on the general quality of the document and on what we think may happen, bearing in mind the pragmatic test of the document that I suggested.

**Mr Macintosh:** It is disturbing if our two expert professors are having difficulty with the document, as that leads to concerns about how the public will feel about it. It would be helpful if Professor Ashcroft and Professor Lapsley could prepare some notes for our next meeting—although this may be too short notice. The basic point concerns the aggregation, but other points have been made.

**Professor Ashcroft:** Everything that I have said so far has been based on the Photostat.

**Mr Macintosh:** I appreciate that.

**The Convener:** Yes, that point has been taken.

**Mr Macintosh:** Numbers should add up—that is absolutely basic. The professors may want to mention other points. We could ask the Executive why it has presented the document in this way and what it intends to do about it.

**Professor Ashcroft:** I have another concern, which relates to the treatment of capital, especially



as resource accounting and budgeting will come on stream this year. I do not feel that there is enough clarity—in the Photostat, at least—on capital expenditure. I would have thought that steps could have been taken to give more indication of what is capital spend and what is current spend, especially as that is the way in which things will eventually be presented—together with depreciation—when there is resource accounting and budgeting.

**Elaine Thomson (Aberdeen North) (Lab):** Why do you think that some of the figures do not add up and do not reconcile between levels I, II and III? Has it anything to do with the financial systems that are being used to produce these figures and documents? Are they now inadequate?

**Professor Ashcroft:** On occasion, level II may not add up to level I because of typographical errors. There may also be omissions—things that are included in level I figures but not discussed under level II headings. When that happens, numbers will not add up, but I am not sure why that has happened.

I am not clear why there is a discrepancy between real-terms and cash figures for the base year. It may be due to aggregation problems at level III. However, as Irvine Lapsley said, the figures should all add up; if they do not, there is a problem.

**Andrew Wilson:** Professors, I think that that has been sorted in the final document.

**The Convener:** Please avoid having a dialogue. I do not want to stretch this discussion out much further.

**Mr Raffan:** If the figures do not add up in the final draft, we should write to the minister as soon as possible and take up some of the points that we have raised.

Having listened to the discussion, I think that it would be helpful if, at the end of stage 1, we were to carry out a report not only on stage 1 but on the process itself and how it could be improved and refined for next year. The report could include a section on the document, but would also cover how the committees have worked. We could put that report to the Executive; that would be particularly valuable in the first year.

**The Convener:** Could the witnesses put some thoughts down on paper and get them to Sarah Davidson within the next week?

**Professor Ashcroft:** Yes.

**The Convener:** That would be helpful. Thank you.

**Andrew Wilson:** Would it be useful if members also pass their points to Sarah?

**The Convener:** Yes. If you want to develop the points that you made earlier, you could let Sarah have them; that applies to any member who wishes to make further comment.

I will take two further brief points, then we must move on.

**Mr Macintosh:** I want to draw the professors' attention to the document that we will discuss later in the meeting, which relates to the written agreements with the Scottish Executive. The point about capital expenditure, which Professor Ashcroft mentioned, is covered in paragraph 6. The witnesses do not seem to have that document.

We asked specifically for capital expenditure to be identified in budget documents, and although this is not, strictly, a budget document, it should identify capital expenditure. Perhaps it would be worth while for the witnesses to check that. We have said what we think should be in the documents and how they should be presented. The points that we have raised today are those that we wanted to have been addressed in the written agreements with the Executive in the first place. It would be disappointing if they are not. Perhaps you can consider that.

**Professor Ashcroft:** We will do so if we can obtain a copy of the document.

**The Convener:** You are at the disadvantage of not having the document, but a copy will be made available to you.

**Dr Simpson:** I assume that we will discuss the matter later, but the letter that we received from the Minister for Finance—about when he will make available the real-terms as opposed to the cash-terms figures—is not clear. We do not know from the letter if we will get those figures for the first time only after royal assent—I presume that that is not the case, and we would not accept that.

**The Convener:** We will come to that when we reach agenda item 5, but I agree: I too found the letter ambiguous. We will wish to deal with that.

**Dr Simpson:** It was extremely ambiguous.

**The Convener:** If there are no further comments, we will proceed to the next item. Thank you, Professor Ashcroft and Professor Lapsley—we will see you again.

Members will be aware that the Minister for Finance will be with us at 12.00, so we must press on with the other agenda items.

## Ethical Standards in Public Life etc (Scotland) Bill

**The Convener:** We have suggested that scrutiny of the financial implications of legislation should become the responsibility of the subject committees. I understand that the Procedures Committee is reviewing how such business is undertaken, but in the meantime we must continue with the system that has been established, so the Ethical Standards in Public Life etc (Scotland) Bill is before us today.

Our main concern is the financial memorandum, which is contained in the explanatory notes. The financial implications of the bill are set out on behalf of the Executive. Paragraph 70 covers the difficulties in predicting the new standards commission's work load. That seems a reasonable point. It seems likely that, once the Scottish public understand that they can raise complaints, they will increasingly opt to do so, but it is difficult to be specific at this stage.

Paragraphs 73 and 74 deal with the projected administration costs for the proposed standards commission for Scotland, and with the start-up costs arising in this financial year. The figure given for the commission's start-up costs is up to half a million pounds. There is not expected to be any significant expenditure on local authorities and public bodies.

11:15

**Mr Swinney:** The financial memorandum is reasonably helpful, given the difficulties of estimation that it highlights. It would be helpful if the Executive could, as a matter of process, give further information on where the resources are coming from. Where does the half a million pounds of operating costs fit into the overall Scottish Executive budget equation?

We can sit here and say that the financial memorandum and another half a million pounds are fine, but we are taking the Executive's word for it on the source of the money. We need some explanation from the Executive so that we are confident about the money having been found from existing resources, or wherever. We need more definition: the Executive is very good at coming up with ideas and it has to produce financial memorandums, but it should also face the test of telling us the exact consequences of the legislation for other programmed expenditure. For other legislation that we will consider, the financial consequences will be much more substantial than half a million pounds. We need clarity about which sources of revenue the Executive is using to meet the costs of the legislative programme.

**The Convener:** I will turn to Ken Macintosh, who is a member of the Education, Culture and Sport Committee. I wonder if this year's figures—which I have not seen in detail for that particular aspect of the relevant departmental report—include the projected start-up costs of £70,000 and a proportion of the £400,000 to £450,000 mentioned in the financial memorandum.

**Mr Macintosh:** We have not discussed that in the Education, Culture and Sport Committee. To be honest, I was not aware that that money was coming out of the education budget.

**Mr Swinney:** That illustrates my point. The statement comes from the Minister for Communities, so I presume that the money is coming out of one of her pots—it would be nice to know.

**The Convener:** That is an important point. Do you think that an additional paragraph in the memorandum would be most appropriate?

**Mr Swinney:** An extra paragraph—it would be paragraph 73A—saying that the costs will be met from whatever level 3 heading is appropriate would allow us to keep a tab on such things. We would know where the resources were being committed, and subject committees would know exactly where they stood.

**Mr Raffan:** I do not disagree with John Swinney. It is helpful to know where the money comes from. It may simply come from some contingency or other. It is a tiny amount compared to the entire block.

**Mr Swinney:** But I am not—

**Mr Raffan:** Hang on a second.

**Mr Swinney:** I was making a point about the process.

**Mr Raffan:** I do not disagree. It would not be terribly difficult to find the money, frankly—it is such a tiny amount compared to the block as a whole—but as a matter of principle, I think that John Swinney is right.

**Mr Davidson:** It is indeed a matter of principle. We encounter this time and again; we ought to know not only where the money comes from—so that it can be traced back into the budget process—but for how long the figure will stand, when there will be a review date and whether the funding can be rolled.

This is a developing situation, and there has been an increased demand over time, yet we appear to have a flat-rate budget. Those are the things that should be addressed when we are presented with financial memorandums, so that someone could come back, say in year 3, and find out exactly what was going on. Otherwise, we will lose track of everything.

**The Convener:** We could not have a situation in which costs or the money available were in some way capped; that would restrict the number of complaints that could be raised.

**Mr Raffan:** That is a matter for the Audit Committee, ultimately; it will monitor the budget.

**Mr Davidson:** But we are being asked to point those things out now.

**Mr Raffan:** Yes, but it is for the Audit Committee to monitor how things go year by year.

**Mr Davidson:** But if the factors I have mentioned were included in the original memorandum—regardless of the subject—there would be something for people to get their teeth into, especially if bills go back to the subject committees.

**The Convener:** This is a general point; we are not talking specifically about this bill.

John Swinney's point was well made, and I sense agreement that we should seek the information that he mentioned in future financial memorandums, even if they do not come to the Finance Committee for consideration.

**Rhoda Grant:** My only comment was for year-on-year factors to be included in the budget for a bill; if they are not included, we need to know what heading they come out of. A paragraph to say that such details were included in the budget would be fine, but if they are not included in the memorandum, we would not know where the figures come from and their implications for other services.

**Dr Simpson:** On paragraphs 76 and 77 of the explanatory notes, I am slightly concerned about the statement that the effects of the repeal of section 2A will be "cost neutral." If measures are to be put in place to ensure that people's fears and anxieties are taken care of, and that people are aware of what is going on, that will incur considerable expense.

I question what is meant by "significant"; there are no levels or bands to define that word. What is "significant"? What is "not significant"? One reason for our slight problems is that efforts have not been made to explain what the new section, which will replace section 2A, is about. Once the new section is in place, expenditure will be required to ensure that people understand exactly what Parliament is about.

**The Convener:** We cannot expect to get a definition of "significant".

**Dr Simpson:** But without that definition, we are talking in woolly terms. One person's significance is another person's irrelevance. Unless we define such terms, we will find that local authorities are spending quite substantial sums. There is another

woolly word—what is "substantial"? How much money is likely to be spent on implementing the legislation?

**The Convener:** Paragraph 76 says:

"Repeal of section 2A is expected to be cost neutral."

The implementation of section 26 is not expected to place a financial burden on local authorities. We either accept that or we do not.

**Dr Simpson:** I am not sure that that is acceptable. If local authorities are to have regard to the new section, given the extended areas involved, they will be involved in considerable expenditure and will have to explain to parents exactly what is intended and how things will be operated locally.

**Mr Raffan:** It may be worth raising two points with the Executive. First, if a referendum on section 2A is organised by Brian Souter, will any money be spent on putting forward the Executive's point of view? Secondly, once the new section is implemented—presuming that it will be—will the Executive publicise its position in any way, by means of a leaflet or whatever? What will be the likely cost of those two things?

**The Convener:** It is not a matter for this bill, or this committee, whether a referendum goes ahead. We are simply required to say whether there is a need for a financial resolution. I do not have much doubt that we would conclude that there is such a need. It is not our role to ask the questions that Richard Simpson suggested, but they could be covered as we proceed with scrutiny of the bill. Richard's point is reasonable, but it is not our role to proceed with it at this stage.

**Dr Simpson:** We are trying to deal with principles, and I object to the use of words such as significant, substantial, insubstantial or insignificant without at least a measure of quantification. I am not saying that precise amounts should be specified, but if the word "significant" is used, an asterisk should be put against it with reference to some paper that says that that means, say, less than 0.001 per cent of a budget. It means nothing just to use words such as "significant". Such assertions have no value.

**Mr Raffan:** Unless they are defined.

**Dr Simpson:** Yes.

**The Convener:** That is as far as we can go at this stage. We have to note the memorandum and agree that a financial resolution is required for the Ethical Standards in Public Life etc (Scotland) Bill. Is that agreed?

**Members indicated agreement.**

## External Research Budget

**The Convener:** Item 3 on the agenda relates to the external research budget, which we discussed at our final meeting before the recess. It was decided that members would be invited to indicate areas in which it might be appropriate for us to commission external research within the parameters of the document that was agreed by the conveners liaison group, which was circulated to everyone with the papers for this meeting.

Members are aware of the time scale. Any suggestions must be in by the end of May to be considered in this tranche. Nobody has indicated subject areas to the clerk. Does anybody want to make a suggestion now?

**Andrew Wilson:** I am sorry that I have not spoken to the clerk about this before today. However, having discussed the matter with her before and at the previous meeting, I suggest that we do research on the budget process, given that that exercise will account for much of our time in the coming period. That would be more useful than examining any one pet issue that any of us has.

We should pick up on the concerns raised by Richard Simpson at the start about costs in public service. Research that examined not the money going in, but what that money buys—including inflation, labour costs, procurement, drugs and other areas—would be helpful. Subject committees would then be able to say that a 5 per cent increase in such a budget chases, for example, costs that have risen by 3 per cent, which would give us a better handle on the real improvement in resources.

Such research would not be difficult, although it would be reasonably substantial and very helpful. As far as I know, such research has not yet been done, so it would be new and there would be interest in applying for the contract.

My second suggestion, which is similar, is to get an idea of the room for manoeuvre within the budget in any one year. Again, that would give the subject committees an idea of the scope for spending movement. Professor Bell made that point when the Executive's report was published. We need to know more; we cannot just speculate on the room for manoeuvre within the Scottish budget. The same applies to end-year flexibility—we could get a quantified idea of the scope for such flexibility.

**Mr Davidson:** I certainly support Andrew Wilson's first suggestion. I am sure that we all find when we go into different sectors of public activity that, apart from rage and concern, there is general disdain at the Parliament talking all the time from

the centre with a standard deflator for everything. That is not sensible and people are loth to engage seriously in the different aspects of the Parliament unless we take seriously the problems that different sectors face. In some sectors there are no real problems, but in others there definitely are.

I support Andrew Wilson's suggestion. I do not think that such research could be done within the current parliamentary staff system.

**The Convener:** Do you mean by the Scottish Parliament information centre?

**Mr Davidson:** Yes. I do not think that SPICe could cope.

**The Convener:** I just wanted to clarify what you meant.

**Mr Raffan:** I agree with Andrew Wilson. My only concern with his first suggestion is that, if we examine value for money, we should not duplicate the work of the Accounts Commission, whose role it is to examine different areas such as drugs and so on. There is a possibility of overlap, which would not be sensible. I am more interested, therefore, in the second suggestion about examining the room for manoeuvre.

A third suggestion, which I am surprised that Andrew Wilson did not mention, is that something on which we would like to conduct research might arise out of the briefings that we are about to start on the Barnett formula. That might be before the end of May.

**Mr Macintosh:** I would like to see more on paper about Andrew Wilson's suggestions, perhaps before the next meeting, because I am not sure what he means. Is he saying that he wants there to be deflators across every section of the budget? He can answer me in a second. I have no problem with his suggestion—the information would be useful—but it needs to be written down and thought out a bit more. Do we want deflators across every section of the budget? Would this be a static piece of research? The whole point of deflators is that they change constantly. If we do the research now, it would be applicable to data to date and deflators could be forecast up to a point. The situation with end-year flexibility is the same; we are not measuring a static situation.

Andrew Wilson's suggestion would be valuable as a one-off piece of research, but I am trying to work out how it would work. It is all a question of information. Perhaps if we had more to discuss, we could analyse the suggestion in greater detail. I see problems with it.

11:30

**Andrew Wilson:** Ken Macintosh raises a helpful

point. The brief for the research would have to include a requirement to give a nod as to how we could take that point on board. Perhaps we would have to ask for information from the Executive annually, if that were feasible.

I did not anticipate producing deflators; I just want to get an indication of how costs rise over the period in question across a range of specific cost measurements. Whoever produces the research will have to see what is feasible.

Ken Macintosh's second point about whether the research would be static is important. I am sure that the people who allocate budgets would like the research to have on-going and meaningful input into our processes. We would therefore have to find a way of taking that on board. I am sure that once the structure for measurement was set up, it would not be difficult to repeat it.

**Dr Simpson:** To some extent, Andrew Wilson has made the point that I wanted to make. We need to understand the structure of each of the level 2 budgets, so that we understand the elements that make them up. When we talk about health, which is the budget that I know most about, we need to understand what percentage goes on, for example, wages or pharmaceuticals. On top of that, we need to build in trends, so that we can see what has happened over a period of time.

If the research constructed a model—which would not be fixed, but could be applied annually—it would allow us to say what the elements of a 3 per cent increase in the health budget were and how much weight they had, taking into account the structure of the health budget as well as aging and other demographic features. We could then say that to produce more money, annual inflation needed to be X, disregarding national inflation.

That would give us more of a feeling for the situation than we have at the moment. I genuinely feel that, without that, the public will not engage with us and will not regard increases as new or see development. The figures are meaningless. They are just more of the mass of the figures that come out and which nobody understands.

I support Andrew Wilson's other suggestion on re-engineering. I would like us to examine what we mean by efficiency savings and how they are applied. The higher education sector, for example, is supposed to make 1 per cent efficiency savings. What does that mean? For most people, it means re-engineering—cutting some things and increasing others.

It would be good to examine that in greater detail, if that has not been done already, to see how much flexibility we are demanding of those who operate budgets. At the moment, we have an incredibly blunt instrument, which produces an

enormous amount of resentment among those who have to operate budgets in local government or in health. The people out there are required to produce 3 per cent efficiency savings. Some sectors say that that means real cuts, although the budget has increased. It is not about cuts, but about changing things around. Research into that would be helpful.

**The Convener:** There seems to be general agreement on those two points. Any proposal from the committee has to be related directly to our work programme and, clearly, both those suggestions fall within that category. The construction of a model, which Richard Simpson touched on, would be particularly helpful—and all academics love to construct models anyway. If it were helpful in making the information that is in the public domain more understandable, it would be a real service, particularly in view of the remarks made earlier about the departmental report.

The clerks will take that away and will perhaps have a word with Murray McVicar in SPICe to get his advice on how we should frame such an application. We will then be able to apply well within the time frame.

## European Funding Inquiry

**The Convener:** The fourth item on the agenda is the European funding inquiry. Members will be aware that the Parliamentary Bureau decided that the European Committee would be the lead committee for the inquiry. Subsequently, at the request of the Parliamentary Bureau, I had discussions with the convener of the European Committee, the Minister for Finance and one of his officials. Agreement has been reached on the committees' respective remits. I believe that I am right in saying that members have not yet had notification of the wording of the aspect to be considered by the Finance Committee. Our remit is to consider what practices and conventions the Treasury applies in allocating Scotland's share of European funds and whether those are appropriate. We will therefore consider the financial management aspects of European funding. The relationship between the Treasury and the European Commission is not part of our remit.

There is no restriction on how we do our work and how we fit in with the European Committee. We can produce our own report or feed into what the European Committee does. We need to consider that and then decide from whom we might want to take evidence as part of the inquiry.

**Mr Davidson:** It would be helpful, convener, if you could e-mail members the wording of the remit and some information on the background to your discussions with the Parliamentary Bureau and the other committee convener so that we can get a better handle on where you are coming from.

**The Convener:** I will do that and we will consider the matter again next week.

**Andrew Wilson:** If there is to be a paper next week, it would be helpful to have greater detail about how we should tackle the remit, which is rather general.

**The Convener:** Fine. At that stage we will consider from whom we want to take evidence. We will push back the agenda item to next week's meeting.

## Correspondence

**The Convener:** The next item on the agenda is on the written agreements with the Scottish Executive. Members will have received a copy of the Minister for Finance's letter to me, to which Richard Simpson referred earlier. As I indicated then, I find the wording of the third and fourth paragraphs ambiguous. It is not clear from what the minister says whether the real-terms annexe will be made available now or in mid-March 2001, once the budget bill has received royal assent. I am inclined to believe that the wording means the latter, but it is not absolutely clear. That was the clerk's understanding as well, but we need clarification.

We referred two points back to the minister. We have got what we were looking for on public-private partnership and private finance initiative expenditure. However, I suspect that the committee will feel that it has not got precisely what it was looking for on cash tables, real-terms numbers and so on.

**Dr Simpson:** That is right. We need to make it clear that we expect cash and real-terms figures to be made available to us at an early stage. The minister is right that we must approve the budget bill in cash terms. That is understood. It cannot be done in real terms. However, if we are to engage the public, we need to understand what the minister regards as real terms. What is his predicted deflator for the various bits of the budget for the next year? That information must be made available to us at an early stage, otherwise the process becomes, if not quite meaningless, less meaningful and it is less easy for the subject committees and the public to engage in the discussion.

My other point may not be permissible, because I might be going over old ground. Income does not appear anywhere in the document, although some income elements are the responsibility of the Scottish Executive. In section 2 of the accompanying document, under the heading "Background", we are told that the financial issues advisory group recommended that budget bills cover all expenditure and all income that is determined by the Executive. I know that we are not talking about a huge amount, but we are responsible for areas of income and I could not find reference to that anywhere in the document.

**The Convener:** What did you have in mind—the sale of land or buildings?

**Dr Simpson:** The sale of land and whether agreement for that goes back to the Treasury.

**Mr Macintosh:** That is covered in paragraph 5 of the document.

**Andrew Wilson:** It is covered by bullet point 3 in paragraph 5.

**The Convener:** The bullet point refers to "statements setting out the amount of expected income and its proposed treatment".

**Dr Simpson:** Yes. I missed that. Sorry—that is fine.

**The Convener:** That issue is not mentioned in the letter, which is perhaps what you were taking as your reference point.

**Dr Simpson:** I withdraw my remark.

**The Convener:** Andrew?

**Andrew Wilson:** I am happy.

**The Convener:** That is one for the record.

**Andrew Wilson:** Nevertheless, I endorse Richard Simpson's point. The inclusion of PPP plans is a step forward and should be recorded as such. However, I cannot understand why we would want to receive the plans after the bill had gone to the palace for royal assent. It would be fine for them to appear in an annexe, but they should be made available at the start of the process rather than at the end of it. We need to change the fourth paragraph of the document, to clarify its meaning.

**The Convener:** We need to clarify its meaning. Although we cannot discuss the budget, the developmental report or the figures that are contained in it with the Minister for Finance today, we can deal with the point that you raise. We can ask for clarification, to find out exactly what he means.

**Mr Macintosh:** Has the document been agreed to? It contains three points of contention, which are printed in bold italics. The third of those points, on the inclusion of PPP and PFI plans, is obviously accepted. The other two seem to be accepted, although the minister makes no mention of the percentage changes table. He uses the phrase "real terms", although there is a lack of clarity concerning the date of publication. Is the document that we are going to agree to complete?

**The Convener:** Yes. It is here for our agreement. If we can receive clarification from the minister on the third and fourth paragraphs of his letter, we will be able to agree to the document.

**Mr Macintosh:** In paragraph 6, a word is missing from bullet point 2. The bullet point refers to

"projected Balance Sheets of those assets and liabilities directly related to and controlled by for whom funding is being sought".

I assume that a word is missing after "by".

**The Convener:** The words "the Executive" must

be missing.

**Mr Macintosh:** Does the Executive agree with the document? That is really what I am asking.

**The Convener:** Yes. Its agreement is signified by the letter from the Minister for Finance. However, we need further clarification and will pursue the matter with the minister. The committee's view is that it is not acceptable to receive the annexe with the real-terms figures in mid-March 2001, and in mid-Marches thereafter. We want to be presented with those figures at the start of the process. We can ask the minister to clarify his statement in the letter about

"real terms numbers over which there is no Parliamentary control."

**Andrew Wilson:** To ensure that there is no scope for difficulties, I suggest that the phrase

"in both cash terms and real terms",

from the first italicised bullet point in paragraph 5 of the document, be added to the second italicised bullet point in that paragraph. That second italicised bullet point refers to

"the percentage changes in individual figures from the previous year".

The same qualification should apply to both sets of figures.

**Mr Macintosh:** You are suggesting that the second italicised bullet point should refer to percentage changes in both cash terms and real terms.

**Andrew Wilson:** Exactly.

**The Convener:** Okay.

That concludes discussion on items 1 to 5 on the agenda. At the start of the meeting, I should have asked the committee whether it agreed to take item 6—preparation for our evidence session—in private. Are we agreed to do so?

**Members indicated agreement.**

**The Convener:** Thank you. We now move into private session.

11:45

*Meeting continued in private.*

12:02

*Meeting resumed in public.*

## Scottish Executive Finance Functions

**The Convener:** I welcome the Minister for Finance and Dr Collings. Thank you for coming to talk to us about the finance functions of the Scottish Executive.

Although the item on the agenda relates to the finance functions, your letter, minister, about the budget documents and the agreements between the Executive and the committee on behalf of the Parliament, has been the subject of some discussion. I understand that the clerks have raised the matter and that you have said that you are prepared to discuss that issue with us this morning.

**The Minister for Finance (Mr Jack McConnell):** Yes. Having re-read the letter, I would like to clarify one of the points that is not as clear as it might be.

**The Convener:** That was the feeling of the committee. Do you have the letter to hand? It might be helpful to begin with that point.

The fourth paragraph of the letter is ambiguous. If the paragraph means that you will formally publish the budget documents at this stage, on this occasion, that would be acceptable. However, the committee would not be very happy if it meant that you would publish them at this stage every year. Could you clarify that point?

**Mr McConnell:** Re-reading the letter in advance of this morning's meeting, I was concerned about the phrase "formally publish". That phrase relates specifically to publication of information with what becomes the budget act, when the bill receives royal assent. I assumed—but should perhaps have stated more clearly—that it would be taken for granted that the real-terms annexe would be issued in the Parliament when the bill was published, rather than at the time of royal assent. The documents would be available to the Parliament in the normal way at the time of the publication of the bill, but they would also be published formally, as part of the budget act, for the historical record. I hope that that clarifies the situation.

**The Convener:** The bill will be published in January.

**Mr McConnell:** Yes.

**The Convener:** And you are saying that the figures will be published at the beginning of the

process, not just in January.

**Mr McConnell:** We are committed to publishing real-terms figures whenever we undertake consultation exercises or statements to the Parliament. We keep trying to do that, although there might be occasions on which it would not be appropriate. When important announcements are made, it is obviously helpful to have such information available.

I understood that the committee's concern was that, when the budget bill was debated and approved in the Parliament, real-terms figures should be published that would—when members finally agreed on a budget for the forthcoming year—allow an adequate comparison to be made. That was the intention behind that sentence, although when I read it this morning—anticipating what you might want to ask me about—I realised that the wording might imply that we would publish the annexe only at the time of royal assent. That is wrong. The annexe would be published before Parliament considered the bill.

**The Convener:** That clarifies the situation satisfactorily. Thank you, minister. That enables the agreement to be signed.

We now move on to the finance functions of the Scottish Executive. You will know, minister, that we have taken evidence from many people over the past few weeks. We are glad to have the opportunity to discuss the matter with you now.

I thank Dr Collings for honouring the obligation that he made when he spoke to us some weeks ago. We have received the outcome of the Scottish Executive's organisational review, along with the recommendations. Could you tell us the status of that document, minister? I see that it was published on 21 March. What is its status now? Have you had the time to examine it and to consider the recommendations? Have you come to an opinion? If not, when do you anticipate doing so?

**Mr McConnell:** Perhaps I can address those questions with one or two other opening remarks, if that would be acceptable to the committee.

**The Convener:** Please do.

**Mr McConnell:** As Dr Collings explained, the report that was prepared internally is more detailed, but because it relates to the current work of individuals, it might not be made widely available. That report has been discussed in the department, in the management group and with the trade unions in the Scottish Executive since the middle of March, as is right and proper. We have made no decisions about that report before this morning's meeting and I shall make no decision on the areas in which I have a direct interest—rather than those that are simply



management systems matters—before the committee publishes its report. I hope that that clarifies the matter.

I regard this morning's meeting as an opportunity to hear what the committee is asking about, as well as an opportunity to answer questions. I want to say three things about the issues that the committee is considering and to welcome the fact that the committee is considering financial and management functions in the Executive.

First, as members have probably heard me say, throughout the past 11 months I have been keen to enter the post-devolution world with some stability. I was also keen to concentrate on the immediate challenges that were before us, such as passing the Public Finance and Accountability (Scotland) Act 2000 and the Budget (Scotland) Act 2000, and undertaking the interim spending reviews that took place during the course of the year.

It was important that those significant challenges existed and that we reviewed our post-devolution position in a stable atmosphere. We were able to look at the longer-term challenges, some of which have become immediate, such as the provision of information, answering parliamentary questions and dealing with parliamentary debates. In relation to the Scottish budget, all those issues are substantially more transparent than in Westminster. Tackling those challenges was an important starting point for the Executive, and this spring is the right time to review the functions of the department and how it operates and relates to other parts of the organisation.

I have three clear priorities. First, I want to ensure that the finance or Treasury function of the Executive—whatever we wish to call it—can ensure that resources are targeted on our priorities. Whether the priority is to maintain, expand, improve or change services, or to deal with emergencies, we must ensure that our resources are targeted on the Administration's priorities. That involves, as a sub-priority, dealing with the important issue of taking a cross-cutting approach, which the committee has examined in some detail, and which the Executive is looking at regularly.

Secondly, I take value for money and efficiency seriously, particularly in relation to performance and getting a clearer idea of what we expect for any additional money—or even existing money—that is allocated to particular departments, projects or cross-cutting issues.

Thirdly—and this is, perhaps, the most dramatically changed area as a result of devolution—I am concerned with the provision of accurate information. That helps the process of

accountability and transparency. It also provides ministers in particular and others with a level of analysis that allows us to make the best possible decisions in the light of the other two key priorities. That applies internally and externally and it has been the biggest change in the needs that must be served by the department. The creation of a ministerial position—albeit one that moves into other areas of management and responsibilities—has, presumably, put demands on the department. There are rightly, however, also demands from other ministers, committees, the Parliament and the public.

The department and I, as a minister, need to examine seriously how to support efforts to ensure that money is best used in a cross-cutting way. We have already started to look at that as part of the spending review that is taking place between now and July for the year 2001-02 and beyond. That review will look at cross-cutting issues. We have had a detailed discussion on sustainable development, and we recently met the Equal Opportunities Commission and Engender to discuss how to build equal opportunities issues into the budgeting and spending process. We have also had sessions about drugs and I know that at least one member of the committee has a direct interest in that. The Administration must also take a cross-cutting approach to that. We are also examining the social justice report and action plan, which sets out targets, and how to ensure that spending reflects those priorities.

The work of the strategy group, which includes Mr McCabe, Mr Finnie and me, is important. That group must take a cross-cutting approach and, during the next two months, set spending targets and allocate or propose totals as part of the autumn consultation, which will come before Parliament in next year's budget bill and beyond.

I am keen to hear the committee's views and will be delighted to answer questions.

**The Convener:** Thank you for those opening remarks.

Over the past few weeks we have heard quite a bit of evidence and, when possible, comparisons have been made between the Scottish Office as was and the newer system that is developing under the Scottish Executive. We have heard from various sources that the Scottish Office was characterised by what has been termed a collegiate style, which was seen as beneficial. Do you think that that style can be maintained by the Scottish Executive, in which Cabinet government operates with the potential to change the way in which people interrelate?

12:15

**Mr McConnell:** We might be able to maintain that style, but it will have to reform, adapt and develop. The Executive's summary states:

"A model with an intelligent, challenging centre and greater devolution of responsibilities to Departments provides the prospect of ensuring better service".

That appeals to me. It is important to have an intelligent, challenging centre that exists to prompt, to direct and, at times, to check whether money is being spent on the areas for which it was originally intended. In any modern organisation, devolution of financial responsibilities is seen as a successful strategy.

I have not read all the evidence that the committee has taken so far, but I have read some of the submissions. The models that were described by the two private sector organisations and by the local authorities, and the model that we are developing—which combines a strong, challenging centre with departments that have clear responsibilities—are those that will work. The system might need to be developed, adapted and improved as a result of devolution, but it is not so far away from that which operated successfully in the Scottish Office in the past. Before devolution, the system did not lead to substantial overspends or to a lack of joined-up thinking or working. However, in the context of the new arrangements we need to develop and improve that system and to sustain it publicly.

**The Convener:** You spoke about having a strong centre and departments with clear responsibilities. As you will know, we took evidence from a senior official in the Treasury, who talked about the silo mentality and what she described as departmentalitis. She went on to say that she did not think that a system of silos would develop unless ministers wanted it—in other words, they could prevent such a system from coming into being. It is nearly a year since the Scottish Executive was established. Is there any evidence that there is a silo mentality, or is there a clear move—particularly in the light of the cost-cutting imperative to which you referred—to prevent that from developing?

**Mr McConnell:** I do not think that structures are the solution to all those problems. It is impossible to create an organisational culture simply by having the right structure. Structures can act as barriers, but they do not create opportunities. However, the way in which the Scottish Executive has chosen to work has helped us not to fall in immediately with the Whitehall tradition, which people are working hard to move away from. We have cross-cutting committees, and members of the Cabinet and junior ministers are making an effort to work together on cross-cutting issues, which is important. That is different from the

Whitehall experience.

We are also trying to learn from the way in which such issues are being tackled in Whitehall. Recently, I met the Chief Secretary to the Treasury, who is responsible for the spending review process in Whitehall. Promoting cross-cutting—rather than simply stopping it falling apart—is integral to that process. We have agreed to keep in regular contact, so that we can learn from what is being done there.

I do not detect any desire on the part of Scottish ministers to move to a departmentalised, defensive system of operation. My constant worry—which should be the worry of any organisation—is that busy people with heavy responsibilities can easily slip into such a system without realising it. That is why we need a strong, challenging centre and a structure that ensures that such a situation will not happen by accident.

**Mr Macintosh:** Although a strong, challenging centre is obviously very important, it does not have the monopoly on ideas about carrying out the Executive's financial functions. Are mechanisms or structures in place that encourage ideas to come from the bottom up, rather than the top down, and that empower the people at the coal face? I am aware of the invest to save scheme, for example. Are there any other such schemes?

**Mr McConnell:** The various challenge funds provide opportunities for agencies, Executive departments and local authorities to suggest new ideas and to be successful if those ideas are the best in a particular area. Although it is important that such a process takes place in any organisation, we must constantly review the balance between the time and effort and the available resources that are involved. I hope that, as part of an organisational culture, members of staff at every level in the Scottish Executive, agencies and other public bodies will feel that they can make such a contribution outwith the structured challenge fund process. Ultimately, it comes down to the culture of the organisation. If people have good ideas about how to make improvements, any organisation should have an environment that allows such ideas to thrive. I hope that ministers will encourage that system rather than restrict it. We must constantly be on our guard so that we do not find ourselves in a situation in which we assume that we have all the answers and that those who work for us have none. Their wealth of experience and their ability to see what is happening on the front line of services is vital in trying to improve those services.

**Mr Macintosh:** I am aware that the Parliament has been established for only a year, but is there any evidence that the Executive is encouraging such a culture? It was felt that the Scottish Office was a very remote and enclosed organisation. Do

you get the impression that the Executive is more accessible? Furthermore, are there any reward systems in place that encourage those who have ideas about saving money and which provide money to allow them to develop such ideas?

**Mr McConnell:** I am not aware of any such financial reward schemes—Dr Collings can correct me if I am wrong.

On Mr Macintosh's first point, there is no doubt that the accessibility of the Parliament and ministers has improved relationships and has changed the perception from that of the Scottish Office's remoteness to that of the Executive's more accessible image. However, we must guard against complacency. It would be easy to stop there and to say that that immediate shift—which was always going to happen with devolution—is sufficient. I hope that we are proactive enough to ensure that we build on the relationships that have been formed with the new, increased openness and transparency.

I look to Dr Collings for any further clarification on reward systems.

The reward might be that most people who work in the public sector do so because they believe in what they are doing and care a lot about the sector's outcomes. In the health service, part of somebody's reward for coming up with a good idea would be that they would see improved health care.

**Mr Macintosh:** I was not thinking of personal incentives—I was thinking about the public sector being able to hold on to and use money that it has saved.

**Mr McConnell:** Do you mean rewards for good management?

**Mr Macintosh:** Yes.

**Mr McConnell:** The system of end-year flexibility has helped significantly. People who manage their finances well no longer have that money taken from them. That is a huge cultural shift that has taken place throughout the UK—it is not a result of devolution. Incentives to manage on a long-term basis by rewarding such approaches with flexibility represent a big shift in the organisational culture and we must develop that.

**Mr Raffan:** You quoted the Executive's summary and the organisational view of "an intelligent, challenging centre", but a few minutes later you said "a strong, challenging centre". Perhaps that was a Freudian slip. How can you provide a strong, challenging centre when you are a minister without a ministry? Within the Scottish Executive, you do not have the power that the Treasury has in Whitehall. That is where structures count.

**Mr McConnell:** That remains to be seen. There is an advantage in being a minister with several ministries. A minister with one department is in a strong position; a minister with two departments and bits of two more can be in an equally strong position if the purpose and direction of the departments is clear and if they achieve the objectives that have been set.

The relationship between the finance department and the purchasing section, the efficiency unit and the department of the principal establishment officer is very close. For example, ministerial meetings on pay policy have been attended by personnel staff from one department and by pay policy staff from another. That does not mean that they are not working closely or that our policy is unclear.

On the central policy work of the Executive, the working relationship between the chief economic adviser and the principal finance officer and others cements the Executive in a way that a single department might not.

The Treasury model is strong and in many respects it works well. However, although the Treasury is seen as the central department at Whitehall, it is still seen as a department, rather than as a set of objectives and themes that must run through the work of all departments.

**Mr Raffan:** The Treasury is also seen as the enemy.

**Mr McConnell:** Although the Whitehall model presents some benefits in terms of the combination of economic and financial functions, the separation between the Treasury and the Cabinet Office is not one of them. That is not the case in Scotland—I have employment establishment and civil service responsibilities as well as financial functions. We must see how well that works in practice and we must adapt and develop it as we go along. However, we must ensure that the political and management objectives are clear. If those are not clear, it will not matter what the ministerial or departmental structure is—it will not work.

**Mr Raffan:** When he gave evidence, Dr Collings—in a rather dramatic, throwaway remark—said that he thought that the Executive had been more accountable in the past six months than its equivalent had been in the past 30 years. It was as if the Executive had been given a shock for which it was not prepared. To what extent has that hit the departments? How are you making the departments more accountable?

**Mr McConnell:** There is no doubt about that. Accountability was one of the key objectives of establishing devolution in Scotland. It is one of the areas in which devolution is working most significantly. It is a big challenge; it is not always

going to work smoothly. We are learning and developing and meeting the challenge all the time, particularly in the provision of information.

**Mr Raffan:** How?

12:30

**Mr McConnell:** During the next two or three years, we will learn constantly about, for example, the presentation of budget information, real-terms figures and consultative information—we should learn from every exercise that involves those. As a team of ministers, we should also learn—privately as well as publicly—about cross-cutting budgets, analyses, statistics, financial information, the accuracy of accounts and about how to use historical comparative information and perhaps even financial projections. We need to learn how to build those factors into our spending review process.

We will learn as we go along. We are no longer in a situation where financial decisions are made by a small number of ministers—largely because decisions were made about spending across the whole of UK—and then debated in a fairly antagonistic and unproductive manner in a House of Commons committee. We are now in a situation where the process is much more open-ended and long term and, as a result, more productive. I believe strongly that the £17 billion or so of public money that is spent by the Executive and the Parliament will, as a result of the scrutiny brought about by devolution, be spent much better in five years' time than it is today.

**Dr Simpson:** I want to tease out a few more things. The minister talked about end-year flexibility, which I think is excellent, because it means that departments will not have to rush to spend their money. However, what about the other side of that? There still seem to be a lot of perverse incentives in the system. Is there a mechanism for examining all the elements of what is happening inside a department that might be perverse? I can give any number of examples, if the minister would like. What about invest to save? How is that managed within the departments? How does the minister insist on that, so that efficiency is driven not by some rather blunt efficiency savings mechanism, but by mechanisms that are much more precise to each department?

**Mr McConnell:** Those issues are a fundamental part of the spending review in which ministers are involved. The spending strategy group set up by the Cabinet has a number of objectives, one of which is to examine how we can invest now for long-term savings, which is right and proper. We have also built that in as a fundamental objective of the modernising government fund, which is an amalgamation of the capital modernisation fund

and invest to save to fit the Scottish context. That is a clear objective. We have yet to see how it will work in practice.

On end-year flexibility, we have tried to strike an appropriate balance, which can be reviewed from year to year, between managers keeping resources that are saved during a 12-month period for the next financial year and the centre having the option of pooling and refocusing some of those resources if they are no longer required. In this financial year, departments will automatically retain 75 per cent of all end-year flexibility money and 25 per cent will be returned to the central pool. It may well then go back to the department, but there is an obligation on the centre to review the use of that money to ensure that it is targeted at priorities, which may be cross-cutting, to ensure that there is a joined-up effort.

We now have the opportunity to do that. Once we have operated the system for two years, we will have to review whether that was the right balance to strike, given the amount of money that is available—last year it was about £300 million; this year the final sum has yet to be determined. We will need to review the situation in the light of the figures as the years go by.

**Dr Simpson:** That is a good example. You cited the ratio 75:25. However, if you are going to focus on outcomes and the use of targets for each department, a global ratio of 75:25 may be inappropriate. If a department is not meeting the targets that you have set, should you not say, "Well, we will look at how you have met those targets and, depending on that, if we think that you have not used your funds appropriately, we will pull more of it back"?

**Mr McConnell:** If the original target was important to ministers or to the Parliament, as part of the continuing discussions with ministers, the department would have to reconsider the way in which it was using its resources to meet that target. That would not necessarily be a case of penalising the department and saying, "Because you did not spend that money in a way that led to the target being achieved, we will take the money back from you and you will never achieve the target." Perhaps we would have to find another solution. That process of discussion would involve the finance department and the Minister for Finance, as well as the First Minister and the Executive secretariat, in their role of monitoring the programme for government.

Meeting targets in the programme for government is a fundamental part of our spending review for the latter two years of the Administration. We must ensure that, beyond the comprehensive spending review, resources will not constitute a barrier to the achievement of targets, and that, where possible, resources are

used to achieve targets that may otherwise be difficult to achieve.

**Andrew Wilson:** End-year flexibility was £300 million last year. Is there any indication of how much you expect it to be for the coming year? Is there a continuing record? You mentioned that 75 per cent is being retained within departments. Do you have any indication of which department tends to generate the global sum? Do you have any idea where end-year flexibility tends to be most marked?

**Mr McConnell:** It would be too early to speculate on the precise figure for the coming year, and it would be wrong of me to give you a wide range of estimates. As soon as we have that information, we will make it available to the committee and the Parliament in an appropriate form.

There can be variations from department to department. The health department has operated a system—with health boards—over a longer period than other departments have, which has allowed it to retain some end-year flexibility. There is a tradition of such practice in that department. In other areas, such as local government revenue finance, end-year flexibility is less of an issue. In local authority capital, for example, there can be dramatic changes from one year to the next, depending on how much has been taken up by authorities. A flexible way of dealing with that, year on year, must be found.

The situation is different in different departments, and we must determine—over a period of three years, perhaps—where any patterns develop before we speculate whether there are difficulties in any particular departments. At the end of that period, if departments are consistently underspending or meeting their targets, I hope that we will look into that. It is not necessarily true that, if a department is underspending annually, the money is no longer required, although that is a possibility. It may be that the money is being well managed over a period of more than 12 months. Likewise, it is not necessarily true that a department that is spending up to its limit every year requires all that money. In either case, we must examine the trends.

**Elaine Thomson:** I want to ask about the quality of information. Various people from the private sector and elsewhere gave evidence to the committee, talking about the way in which they had been able to change and improve their decision making partly through devolving much of the financial decision making. Underpinning that was a massive improvement in the quality of information, built on modern financial information systems.

We also heard from Gill Noble from the Treasury, who said that the quality of information on which the Treasury based its decision making had improved recently, but that previously it was extremely poor. What is the quality of the information that you are using as the basis for financial decisions? Paragraph 11 of the Executive summary seems to indicate that a major overhaul of the financial information systems that the Scottish Executive is using is required.

**Mr McConnell:** I am not an expert on the technicalities of these matters and I would not want to interfere with those who are—except to give them a lot of support. The systems that are currently in place are providing accurate information, in a way that was appropriate at the time that they were created. However, from the feedback that I am now receiving, it is clear that they need to be radically updated—partly because information technology and systems move on and are constantly being improved, but partly to deal with resource accounting and budgeting changes and the demand for regular information to service this committee, ministers and the new political arrangements.

I am also keen for us to examine the way in which budget spending is monitored within and across departments and across the Executive as a whole. The information that is available via the accounting and IT systems will be fundamental to that. It is eight years since I ran a budget management process in a local authority, but a number of Scotland's local authorities have regular budget monitoring systems in place. Given the arrangements that we now have—the committee system, the Parliament and the public consultation that is required—we can learn something from local government. I note that the committee took some evidence from local authorities as part of its inquiry, and I will be interested to read what the committee has to say about that evidence in its report.

**Mr Davidson:** The Executive's buzz term, used by every minister at every opportunity, is "cross-cutting". Have you identified any failures in, or tensions arising from, trying to implement that? If, for example, two ministers have an interest in a subject but the money is coming out of one pot, tensions can arise regarding who gets what for which bit. Can you say something about how such disputes are settled and where the discipline comes in?

**Mr McConnell:** You might want me to give you some examples of that, but you would not expect me to do so. However, I am not aware of any such instances. That is the result partly of the fact that the budgets under which we have been operating over the past 12 months were in the main set before devolution. Even the budget for the coming

year—although it was debated in the Parliament and scrutinised by ministers—was set largely in advance.

There was probably a time when finance ministers meant something slightly different when they talked about cross-cutting. However, ensuring a cross-cutting approach—or, as I prefer to say, a joined-up approach—to spending money must be part of the review of future-years spending in which we are currently involved. I see that also as being very much part of the public consultation exercise. I think that the best ideas for joined-up spending, or more efficient spending as a result of joining up what we do, sometimes come from the public, who see the money being spent, rather than from us.

I am not aware of ministers having difficulty joining up what they are doing. However, there are a number of fundamental issues, of which drugs is the example most often cited. Another is how the combination of local authority expenditure and health board and trust expenditure relates to provision of care for the elderly. The Executive's ability to take a joined-up approach to that spending will be tested in the months and years ahead—that is part of the process in which we are now involved. It was relatively easy to join up those decisions in the days when they were all made by the Secretary of State for Scotland. However, individual ministers now have their own external contact points, consultations and processes to go through in order to ensure that that joined-up approach continues and improves. That is a significant political challenge, which everyone is up for.

12:45

**Mr Davidson:** You mentioned input from the public through consultation. I have no idea what sort of figures you will hold back in reserves and so on, or how you will approach that matter. The press would certainly like to know about that, and I suspect that this committee would like to know just how much input public consultation will have in the process, although I appreciate that that is only one aspect of it.

However, when you have in hand a cross-cutting project, or a drive to do something, who is the final arbiter? Who decides whether one idea is better than another? Stalemates within departments can be destructive for those who work there, as there is nothing worse than having ministerial fall-outs, with staff torn between doing their duty to the public and looking after their minister. Such situations happen in all businesses, but what mechanisms have you put in place—if it is your responsibility to do so—to iron out those little hiccups and to come out with decisions? What form of discipline has the Executive agreed as to

how its members will operate when working out those programmes? A lot of ministerial comment is made on various aspects of the programmes, sometimes in advance of initiatives. However, when one links that back, one realises that there are tensions in putting together a budget, which makes it difficult for the staff to co-ordinate what they do. Moreover, staff must set up performance indicators and be able to measure the outcomes. Could you say something on that issue?

**Mr McConnell:** That is one reason for having a strong financial policy section, which helps to support the process. At the moment, these decisions—or potential choices—are resolved between ministers in discussions that involve me. In most cases, it is possible to find a resolution, but if a resolution is not possible, decisions are made ultimately by the First Minister or by the Cabinet, depending on the seriousness of the decision. At that stage, I would give advice if the matter had a financial implication.

That system is working well, at the level at which those discussions have taken place so far, and it will work well in the months ahead. I do not want to downplay the fact that there is considerable good will among ministers to make the system work. There is a desire to work in a way that allows a strong Cabinet style of government and a co-operative style among ministers that makes best use of public money. That is partly because last summer people were not dropped into existing ministries that had a history, a tradition and a strength, so they were not immediately faced with the task of defending the ministry against all comers.

That defensive mentality is probably less prevalent in Whitehall than it was 15 or 20 years ago but, to some extent, it exists in local government, of which a number of people around this table have experience. Local government has a strong committee and council decision-making system, rather than a Cabinet or ministerial system, but one can find local government committee chairs taking that approach of defending the department at all costs. It takes a strong centre and a co-operative culture, which I think we have, to beat that mentality.

**Mr Davidson:** Finally, I would like to ask how the Executive will account, to this committee for example, for the spending programmes and for the delivery of a cross-cutting budget item. Where will we be able to see on-going reports on such items? Some projects may be long-term and may drift from the budget of one year into that of the next. What mechanisms will you set up for us to monitor them?

**Mr McConnell:** We have already agreed mechanisms that will involve regular reporting of budget monitoring and of information. One of the

reasons for the review system is to achieve that. There might be some cross-cutting areas in which one parliamentary committee has a lead responsibility, and that may be the place for providing regular reports.

I imagine that, rather than agreeing a system to apply across the board, this committee might want to identify particular areas of cross-cutting activity from time to time. The committee might want to see a couple of reports a year on something to check how things are going before moving on to something else. Such a targeted approach might be better than an across-the-board approach applicable to everything. I am certainly happy to co-operate in such discussions at all times.

**Mr Davidson:** I am much reassured, minister.

**Mr Raffan:** I do not want to labour David Davidson's point, but this cross-cutting thing is important. You said, minister, that, if there were tensions, you would not speak about them. Well, let me. On the cross-cutting ministerial group on drugs, there are clearly tensions between the three ministers—the Minister for Health and Community Care, the Minister for Communities and the Minister for Children and Education—and the convener of the cross-cutting ministerial committee, the Deputy Minister for Justice, whose emphasis is on enforcement, whereas that of the others is on treatment and education. I have spoken to them all. Those tensions have not yet been resolved. You talk about co-operative government, minister, but there are bound to be tensions when people are taking markedly different approaches.

**Mr McConnell:** I do not think that that is necessarily the case. Debate, the exchange of views and the bringing together of different responsibilities, is a vital part of political decision making and of government. That is why there are ministerial committees rather than groups of appointed individuals, who have individual responsibility for a cross-cutting area but who go off and do their own thing.

I do not think that there is any evidence, publicly or privately, that the ministers with their various responsibilities for drug-related matters are unable to reach conclusions that will produce a comprehensive action plan to tackle both enforcement and prevention. I am quite convinced that, when final packages are produced on that area of activity, the Executive will be seen to be investing in both sides.

**Mr Raffan:** I would like to change tack and deal with the whole area of economic advice. When Dr Andrew Goudie came to speak to us—

**The Convener:** Just a second. We are trying to avoid cross-cutting from subject to subject. I call Richard Simpson.

**Dr Simpson:** I want to return to the matter of targets and outcomes. It was suggested to us in some of our evidence that a fairly low-key approach is being taken to target setting. Is that the case? Could you develop that a bit, and could you explain how you are setting targets? Can you indicate what your role might be in ensuring that the targets are stretching?

Some of the health targets, if we follow the natural trend for certain illnesses, will be reached without doing anything and we might not know why things are changing. How do you ensure that your targets are realistic on one hand, but will stretch the departments to use their money in the most effective way on the other hand?

**Mr McConnell:** There are examples in each chapter of "Making it work together: A programme for government" which show challenging targets. There are also targets that will be achieved this year or next year, or which can be considered likely to be achieved in two years' time. That is a right and proper mix of targets.

We must ensure that there are no barriers in the way of those targets being met, and whatever we do collectively as a ministerial team should help ensure that the targets that we have already published are achieved. The post-devolution role of the finance department—and, to some extent, of some of the other officials for whom I am responsible—in setting targets and in helping other departments to achieve them is still being developed. That, again, is right and proper.

I do not think that a successful organisation can create and impose targets at the centre in a short space of time and expect the whole organisation to have bought into achieving those targets. Through this review process of the finance function, through the publication of our programme for government document and the spending review that is examining that carefully and through the other efforts that the Executive has made to modernise the civil service, I hope that we will create an organisational culture in which the organisation has bought into the targets that we set and people at all levels see that they have a stake in achieving those targets. That is the best form of public or private sector organisation in the world today, and that is the kind of organisation that we should try to establish.

**The Convener:** I have two points on targeting and monitoring. In your discussions with the departments, are they saying to you that if they had a certain amount of money, it would specifically affect the outcomes? If so, could you be confident that that would be the case?

We received some evidence on the role that public service agreements play within Whitehall departments such as the Treasury. The Scottish

Office had begun to move down that road before the Scottish Executive came into being. Is the Scottish Executive, in the matters for which you have responsibility, up to speed on public service agreements, so that there is no less accountability in monitoring performance in Scotland than there is at the UK level?

**Mr McConnell:** What existed in Scotland before devolution was one public service agreement for the department of Scotland. One of the reasons that we set up this Parliament was to change that style of government. The spending review process that we are involved in at the moment will lead to changes in departmental spends and departmental budgets, based on a clear agreement of the outcomes that are expected. Whether we call them public service agreements or have an organisational management version of our own remains to be seen. Additional expenditure, or expenditure that moves around the organisation, will be moved on the basis of a clear agreement about where it is going to be spent.

**Mr Raffan:** My point follows on from the one that Elaine Thomson made about quality of information. Dr Andrew Goudie has set up the economic advice unit, or whatever it is called, from scratch. I think that five people work with him. A lot of the statistical information that you are working on is on a UK basis and has not been broken down on a Scottish basis. When Dr Goudie gave evidence with Dr Collings, it seemed to me that that department is doing a lot of elementary statistical work, so it is completely overwhelmed. This point has been made again and again by academic economists such as Professor Jeremy Peat, who has talked about the quality of economic information on which the Executive is working. Do you not see that making policy without having that basic information is a major drawback, and that it is important to gather it as soon as possible?

**Mr McConnell:** My perception of the situation in the recent past was that while a number of organisations within the Executive may have statistics to hand or use statistical analysis to provide an input into policy making, it has not always been collated at the centre. Even when statistics have been produced at the centre, they have not always been collated, matched and used. The work that has been undertaken by Andrew Goudie and others in recent months to pull together the new volumes of statistics has been a useful starting point. The fact that they will discuss them with what might be called the statistics community of Scotland to improve that provision further is again a good development.

As in so many other areas, such as our budget consultation documents, the provision of financial information and improving the joined-up

development of policy in the Executive and with local government and other agencies, I believe that as a result of devolution we will improve the statistical information available because we will have a better understanding of what information we need. Our job at the moment is to use to better effect that which is already available. That is a responsibility that we, as ministers, should take seriously, in policy making and in budget decisions, not just in the course of this spending review but in our on-going work and, to some extent, in our discussions with local authorities.

I am sure that the committee is acutely aware that nearly 40 per cent of our budget goes straight to local authorities, which deliver many of the most important front-line services in Scotland; therefore authorities' policy making, with or without a relationship with the Executive, is also fundamental. Any statistics that we are producing or that they are preparing at a local level have to be combined to best effect—that is another challenge that we face. Those are all on-going challenges that nobody is holding back from and that everybody should be involved in trying to achieve.

**Mr Raffan:** Following on from that, I have one brief point regarding access to economic advice. For many years, a panel of external economic advisers—renowned academic economists from across Scotland—met on an ad hoc basis, once a month at most, to advise the secretary of state. Gavin McCrone was a leading figure back then. Does that panel still exist? Has it been transferred over to the First Minister, or is it still with the secretary of state?

13:00

**Mr McConnell:** I could not be certain, but I do not think that an arrangement has been set up, post-devolution. You would have to ask Mr McLeish or the First Minister about the arrangements that have been established. The process of involving people from outwith the Executive has been extensive in the past 12 months. A number of different temporary review groups have been established, which are considering different economic sectors or economic developments.

The appointment of Andrew Goudie has been a new internal development that, to some extent, has moved us into a new era of internal advice that was not there in the past. As that settles down, presumably those with responsibility in such matters will consider what other advice they need from external sources.

**Mr Davidson:** What research has been done to evaluate the costs of overlap in service delivery?

**Mr McConnell:** The work of the spending review



group, and our discussions with the Convention of Scottish Local Authorities about agreed outcomes and better joined-up spending between local and central government, will be driven partly by efforts to end duplication of such expenditure. It is the spending strategy review group's job to ensure that, at the end of the day, the budgets that we produce take account of value for money, efficiency and effective spending, as well as priorities for any new expenditure.

**Mr Davidson:** Overlap is mentioned in general discussion of various aspects of public service at the moment, and I wondered how early you would grasp that nettle before you get into yet another year's budget process in which you are still supporting overlap, albeit—I do not doubt—unwittingly in many cases. I am thinking of your economic adviser's role, in considering areas where, by reducing overlap, we could be more efficient.

**Mr McConnell:** Are you making particular reference to the areas of economic development activity that were referred to by the Enterprise and Lifelong Learning Committee—

**Mr Davidson:** That is only part of it.

**Mr McConnell:** To some extent, there is a responsibility in individual departments. It is always easy to talk about duplication, waste, overlap and a lack of joined-up effort—I do it as much as anyone else—but it is much harder to identify them. Once they have been identified, they can be dealt with easily. Identifying such areas is one aspect of the process; it is not just a discussion between ministers, or between ministers and COSLA, but is a responsibility of a joined-up budget process, involving all the committees of the Parliament. It is also part of the public consultation process. Sometimes, the best people to identify such overlaps are the public who use the services and who observe from the outside the way in which we work. That is one of the reasons why I take the public consultation exercise so seriously. Those views are critical in allowing us to challenge what we do on a regular basis.

**Mr Davidson:** Would it be fair to say that that is currently a priority?

**Mr McConnell:** For me, that is an area that will always be a priority, amongst others.

**Mr Davidson:** I will quote you on that, minister.

**Mr Raffan:** Can I assume from your answer to my question about the panel of economic advisers—you said that I should ask Mr McLeish—that you regard Mr McLeish as the lead minister in driving forward the Scottish economy and that your role is that of a chief secretary rather than a chancellor?

**Mr McConnell:** My understanding is that the panel has not met since the devolved arrangements came into effect. I could be wrong about that. Given that the panel was previously the responsibility of the secretary of state, I imagine that the responsibility now lies with the First Minister. As you know, primarily—

**Mr Raffan:** Can you answer my question about Mr McLeish?

**Mr McConnell:** I am giving an answer. Because that was a wider area of economic and financial advice, rather than straightforward industrial advice, it might be a case that the First Minister would want to clarify. I presume that the Parliament clerks decide who answers the questions.

**Mr Raffan:** It is clear from your earlier answer that you see Mr McLeish as the lead minister in driving forward the Scottish economy and that you take a role similar to that of a chief secretary.

**Mr McConnell:** Yes. In terms of economic policy, enterprise policy and so on, it is clear that the ministerial responsibility lies with Mr McLeish in the same way that, in London, responsibility lies with Mr Byers rather than with Mr Brown.

**The Convener:** I noticed that the Executive summary says that

"A Whitehall model is not considered to be desirable, although some features of it appear 'inevitable'."

I will not ask whether you agree with that. Does the idea of a ministry of finance appeal to you? What about a Treasury model that would involve resource allocation and economic analysis? Is that an attractive way to develop the finance functions of the Scottish Executive?

**Mr McConnell:** The arrangement that has been put in place, whereby the finance spending management functions have been connected in a ministerial sense with responsibilities for management—personnel, civil service and so on—is a better model for us. In Scotland, the combination of ministerial responsibilities for economic development, industry, enterprise, and higher education is appropriate in the present circumstances. The link between the future of enterprise and economic development in Scotland and our research and higher education institutions is fundamental. That my remit includes internal and financial management responsibilities presents an ideal combination, which is working well in practice.

**The Convener:** I thank the minister and Dr Collings for giving us their time. We expect to finish our report by the end of next month and we will send the minister a copy as soon as possible.

*Meeting closed at 13:09.*



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