

FINANCE COMMITTEE

Tuesday 13 June 2000
(Morning)

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FINANCE COMMITTEE

16th Meeting 2000, Session 1

CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

DEPUTY CONVENER

*Elaine Thomson (Aberdeen North) (Lab)

COMMITTEE MEMBERS

*Mr David Davidson (North-East Scotland) (Con)

*Rhoda Grant (Highlands and Islands) (Lab)

Mr Adam Ingram (South of Scotland) (SNP)

*George Lyon (Argyll and Bute) (LD)

*Mr Kenneth Macintosh (Eastwood) (Lab)

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

*Dr Richard Simpson (Ochil) (Lab)

*Mr John Swinney (North Tayside) (SNP)

*Andrew Wilson (Central Scotland) (SNP)

*attended

THE FOLLOWING MEMBER ALSO ATTENDED:

Scott Barrie (Dunfermline West) (Lab)

WITNESS

Mr Jack McConnell (Minister for Finance)

CLERK TEAM LEADER

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Sean Wixted

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 13 June 2000

(Morning)

[THE CONVENER *opened the meeting at 09:58*]

The Convener (Mike Watson): Good morning. I call the meeting to order or, rather, I recall the meeting to order, as we have had an earlier session in private. We have received apologies from Adam Ingram.

We have a fairly heavy agenda, items 3 to 6 of which involve the Minister for Finance. I suggest that we have a brief break—of no more than five minutes—between items 5 and 6 to give us all, including the minister, a chance to collect our thoughts and refocus as we switch from European structural funds to the budget.

Draft Scotland Act 1998 (Modifications of Schedule 4) Order 2000

The Convener: We move to item 3 on the agenda, which is the draft Scotland Act 1998 (Modifications of Schedule 4) Order 2000. I invite the minister to speak to the motion that has been lodged in his name, and I remind him to move the motion formally at the end of his remarks.

The Minister for Finance (Mr Jack McConnell): Thank you for the opportunity to be at a meeting with such a comprehensive agenda; I hope that we have a fruitful morning.

Before I go into any of its detail, let me put the order in context. Schedule 4 of the Scotland Act 1998 forms part of the definition of the legislative competence of the Scottish Parliament. It places restrictions on the extent to which certain legislation—including the Scotland Act 1998 itself—can be modified by the Scottish Parliament.

The devolution settlement was always intended to be flexible. Therefore, section 30 of the Scotland Act 1998 provides a mechanism whereby schedule 4 can be modified by an order in council, subject to the approval of both the Westminster and the Scottish Parliaments. That allows for the boundary of legislative competence to be adjusted or clarified.

On the content of this order, I will deal first with the area that is of interest to the Finance Committee. Members will already have seen the note that was prepared by the Executive to explain the effect of the order in greater detail. Paragraph

4 of schedule 4 has the effect that the Scottish Parliament cannot amend the Scotland Act 1998. That is hardly a great surprise. However, paragraph 4 recognises that there are some parts or aspects of that act that it makes sense to allow the Scottish Parliament to amend, so restrictions are relaxed, for example to allow the Scottish Parliament to modify some references to the Scottish consolidated fund.

At present, and subject to certain exceptions, the Parliament can legislate to amend provisions in the act that charge sums on the fund or require sums to be paid from or to the fund. However, the Scottish Parliament cannot legislate to make amendments to the provisions of the act that provide for expenditure to be

“payable out of the Scottish Consolidated Fund”.

There are two provisions in the 1998 act that provide for sums to be payable out of the SCF and that the Scottish Parliament cannot, therefore, amend. The first is section 21(6), which provides for payment of any expenses of the Scottish Parliamentary Corporate Body from the fund. The second is section 51(5), which, in effect, provides for payment of the salaries and allowances of the Scottish Administration civil servants out of the fund. The upshot of that is that under the legislation as it currently stands, Parliament cannot legislate to put in place alternative arrangements, such as having some part of the Administration staff or the affairs of the SPCB funded directly from the proceeds of trading.

It was never intended that those sections of the Scotland Act 1998 should be put beyond the reach of the Parliament. The amendment that would be made by the order would allow Parliament to amend those sections if it wished. This is purely a tidying exercise. There are no plans to use the new power, but the order will allow Parliament greater flexibility in future.

I welcome Scott Barrie from the Justice and Home Affairs Committee. That committee looked at the pensions part of the order last week and, like me, that committee wanted clarification on the order. When the Scotland Act 1998 was being drafted, the concept of pension-sharing had not developed sufficiently to enable those who were involved in the preparation of the act to deal with the matter fully. The position is now settled following the passing of the Welfare Reform and Pensions Act 1999 but, as a consequence, it has become necessary to amend schedule 4 of the Scotland Act 1998 to bring it into line. General pensions law and, in particular, the law that deals with the sharing of rights relating to pensions arrangements on divorce are reserved matters. Nothing in the order changes the extent of the reservation that is set out in schedule 5 of the Scotland Act 1998.

This order is concerned with the complex rules in schedule 4 that determine the extent to which the Scottish Parliament can amend rules of Scots private law that relate to reserved matters. Paragraph 2(1) of schedule 4 states that an act of the Scottish Parliament cannot amend the “law on reserved matters”, which includes the aspects of pensions law that are reserved under schedule 5.

Paragraph 2(3) relaxes that restriction for rules of Scots private law. Together with section 29(4), it allows the Parliament to modify Scots private law as it applies to reserved matters, as long as the purpose of such provision is to make the law in question apply consistently to reserved and non-reserved areas. However, certain rules of Scots private law are protected from amendment if they are

“special to a reserved matter”

or are listed in paragraph 2(3). The order extends the list of protected provisions of Scots private law to include pensions obligations that were introduced by the Welfare Reform and Pensions Act 1999. Following the chain of exceptions to exceptions, the inclusion of the new entries to schedule 4 ensures that no modification to those rules of Scots private law can be made by the Scottish Parliament.

In practical terms, we do not expect the amendments made by this order to have any great effect. They do not change pensions law or Scots private law, nor is it likely that the Scottish Parliament would wish to legislate in that area as it is the preserve of the United Kingdom Parliament. Schedule 4 was intended to cover pension-sharing on divorce, and the order ensures simply that its terms fit with the Welfare Reform and Pensions Act 1999 now that the concept has firmed up.

In summary, the order is more a matter of good housekeeping than great constitutional policy.

I move motion S1M-988,

That the Finance Committee, in consideration of the draft Scotland Act 1998 (Modifications of Schedule 4) Order 2000, recommends that the Order be approved.

The Convener: Thank you, minister.

As Jack McConnell said, Scott Barrie is here as a representative of the Justice and Home Affairs Committee, which considered the matter last week. I will give Scott the opportunity to question the minister.

Scott Barrie (Dunfermline West) (Lab): Thank you, convener.

Jack McConnell indicated why I am here today. Members of the Justice and Home Affairs Committee found the order difficult to understand last week and as we did not have anyone from the Executive or with a finance background to explain

it to us, we were totally in the dark. We had papers that were supposed to help us, but the order confused all that committee's members.

The main concern that was expressed by committee members was that the order appeared to amend the Scotland Act 1998, but the background papers did not indicate why that had to be done. Several committee members expressed concern. The note that I received subsequently from the Executive—I do not know whether it has come to members of the Finance Committee—clarifies some of the issues that were raised. It explains that the order is about bringing the Scotland Act 1998 into line with the Welfare Reform and Pensions Act 1999, which is a reserved matter.

The only question that I have from the Justice and Home Affairs Committee is whether the order could have been brought forward and notified to the committee earlier or did we have to wait until the legislation was passed at Westminster before it could be discussed here? There seemed to be some confusion about time scales.

Mr McConnell: As I understand it, the matter was considered during the passage of the Scotland Act 1998, but because neither the UK-wide legislation nor the Government's thinking on it were finalised at that time, the Scotland Act 1998 could not be complete. It was always envisaged that shortly after the Scottish Parliament was created there would be an order that would tidy up the Scotland Act 1998, as the order does. This is the earliest opportunity that we have had to introduce such an order. The timing will tie in nicely with the timetable at Westminster. I understand that the commencement date for the Welfare Reform and Pensions Act 1999 is December this year. Therefore, if the order is in place, all the arrangements will be in place to implement the Welfare Reform and Pensions Act 1999 at the end of 2000.

Scott Barrie: I have read the background paper, which was issued to the Justice and Home Affairs Committee following last week's meeting, and given that and what I have heard today, I do not think that the Justice and Home Affairs Committee will have any further concerns about the order.

The Convener: The Subordinate Legislation Committee has also examined the order and has reported no matters of concern.

Dr Richard Simpson (Ochil) (Lab): The supplementary Executive note, FI/00/16/5, states that:

“The key difference in substantive law in Scotland is the concept of ‘matrimonial property’.”

The note goes on to say that the division of a pension will apply only to the period of a marriage.

Is there any difference between Scotland and England in that respect? If so, what is it?

Secondly, how will the pension-splitting arrangements apply to cohabitation, common-law marriages and relationships of that sort?

Mr McConnell: Was your second question whether there are any differences in relation to common-law marriages?

Dr Simpson: Yes. Will the pension-splitting arrangements also apply to common-law marriages?

Mr McConnell: I have studied the legislation in relation to the Scotland Act 1998 and the finances relating to that rather than pensions, so I hope that members do not mind if I check the position with my officials.

I understand that there is a difference in interpretation in England and Scotland in relation to the division of pension rights. I thought that the note explained that there was a different method of calculation in England. In Scotland, the concept of matrimonial property to be shared relates to the duration of the marriage; in the rest of the UK the method of valuation is the cash equivalent transfer value. Is that in the note?

Dr Simpson: There is a bit in it about that, but it does not relate to my question about the length of time to which the split would apply.

The Convener: I say, on behalf of the minister, that that is not really a financial matter. It is a legitimate question to ask, Richard, but it is perhaps unreasonable to expect an answer immediately. Could we perhaps have a written response on that question?

Mr McConnell: I am sure that I can get an answer for Dr Simpson.

Dr Simpson: As the question is technical, perhaps Mr Parr will answer?

Mr McConnell: In Scotland, the division of a pension is up to the date of separation; in England it is the date of the divorce.

The Convener: On Richard Simpson's point, the gap while Mr McConnell consulted his official was necessary because officials are not allowed to go on the record in relation to orders. This is like dealing with legislation; it is not an evidence session, but we got there in the end.

Mr McConnell: The fundamental point in relation to the order is that provisions in Scots law and in law in the rest of the UK are not changed as a result of it. The order merely ensures that there is consistency in the application of the Welfare Reform and Pensions Act 1999 in relation to pension-sharing, which was passed last year at Westminster and commences in December

throughout the UK. The important point is that that is what this order affects—it does not affect other existing provisions in Scots law or in the law of the rest of the UK.

Mr John Swinney (North Tayside) (SNP): Can the minister tell us—

Mr McConnell: I hope so.

Mr Swinney: So do I.

Can the minister tell us, in the context of the Government's current legislative programme at Westminster, how many orders of this nature we might have to examine to synchronise the legislative competence of the Scottish Parliament with the Westminster Government's legislative programme?

Mr McConnell: I am not aware of any other orders and my officials are not aware of any others that are in the offing. I certainly have none on my desk for consideration.

Motion agreed to,

That the Finance Committee, in consideration of the draft Scotland Act 1998 (Modifications of Schedule 4) Order 2000, recommends that the Order be approved.

Draft Budget (Scotland) Act 2000 (Amendment) Order 2000

Mr McConnell: The draft Budget Scotland Act 2000 (Amendment) Order 2000 is required to increase the budget for Audit Scotland by £1,785,000 from £1,700,000 to £3,485,000. The change is needed to meet the costs of National Audit Office activities that became Audit Scotland's responsibility from 1 June 2000. The additional funds will come from the UK reserve.

The order also makes two minor technical changes to the Budget (Scotland) Act 2000 that enable the development department to give grants to voluntary organisations and the accountant in bankruptcy to make use of receipts from sequestrations.

The first of the changes is the result of slippage in approving the new objective 3 programme and the scheme for voluntary organisations that I recently announced to the European Committee to cover that gap. The second change was overlooked during the passage of the Budget (Scotland) Act 2000 and the provision that is before the committee corrects that.

I move,

That the Finance Committee, in consideration of the draft Budget (Scotland) Act 2000 (Amendment) Order 2000, recommends that the Order be approved.

Andrew Wilson (Central Scotland) (SNP): Will the minister outline the mechanism by which the UK reserve is formally accessed?

10: 15

Mr McConnell: Does Andrew Wilson mean in this matter or more generally?

Andrew Wilson: In this specific case and more generally.

Mr McConnell: We make an application to the Treasury. If the application is straightforward, it is approved. If it needs to be the subject of negotiation, there is further discussion, which leads to a result.

Mr Swinney: Paragraph (c) in the explanatory note that is attached to the order states that the order amends the Budget (Scotland) Act 2000 to

"authorise sums received by way of income from sequestrations to be applied to meet expenditure of the Accountant in Bankruptcy".

I understand the structure that is being put in place. Is the Government advancing a point of logic in this order: that the revenue that can be raised from particular activities should be passed on to the organisation that is responsible for the

other side of the area of policy concerned?

I will give the minister an example on which he might want to speculate. On the A90 between Dundee and Aberdeen, speed cameras have been installed on the initiative of Tayside police. Those cameras generate a substantial sum of money. Would not it be sensible to allocate the revenues that are generated by the cameras outside Forfar—in my constituency—to the budget of Tayside police, who were responsible for their installation? By introducing this order, is the Government edging towards that very sensible innovation in policy?

Mr McConnell: I am grateful for that strategic insight into the views of the member for North Tayside on our budgeting process. It would be wrong to read general policy development into the aspect of the order to which the member refers. This is a tidying-up exercise that should have been carried out during the passage of the Budget (Scotland) Act 2000, to allow the accountant in bankruptcy to use money from sequestration in the way that is described. That would not be a new development and we should not have overlooked it during the passage of the Budget (Scotland) Act 2000.

I understand the more general point that John Swinney is making. I think that I was asked a parliamentary question on the matter recently, and I will give the answer that I always give when I am asked questions of this sort. If we were to hypothecate additional revenue in Scotland in the way that the member suggests, that would undoubtedly mean that the people of Scotland would lose out financially. We receive a significantly greater amount of money per head for public services than England does because of the assigned budget and the Barnett formula. Under the current arrangement, most income from Scotland goes to the Treasury and a generous share of the overall budget is allocated to Scotland. That is a good arrangement for Scotland and we should defend it. Hypothecating income in the way John Swinney seems to suggest would be a dangerous road that we should not travel.

Mr Swinney: I understand the point that you are making, but is not paragraph (c) of the explanatory note logically inconsistent with that argument?

Mr McConnell: Not in my view.

Mr David Davidson (North-East Scotland) (Con): You said at the beginning of your statement that this was a one-off measure to amend the budget to allow for the funding of Audit Scotland. How will that money be forthcoming in future years?

Mr McConnell: The budget of Audit Scotland is one of those unusual budgets that is the responsibility more of Parliament than of the

Executive, because—quite rightly—Audit Scotland is independent of the Executive. The budget for Audit Scotland will need to be estimated by the new Auditor General and his staff and, I imagine, by the Commission for Public Audit, which is responsible for overseeing the work of Audit Scotland. In due course, they will make a recommendation to Parliament, as part of this year's budget deliberations. We will need to include that provision in the budget act. The order would allow Audit Scotland to spend the money that we have received from the UK reserve to cover the activities previously done by the National Audit Office. There has been no unexpected increase in the estimate of the cost of Audit Scotland. The order is the result of discussions that we had with the National Audit Office about how much money should be transferred from its budget to ours to pay for the transfer in staff that took place.

Mr Davidson: That is the mechanism that has been used this year to fund an existing facility that has been given a new role. How will that be funded in future? Will the money be top-sliced from the Barnett formula, or will there be an additional central donation from Westminster?

Mr McConnell: This is a permanent transfer from the National Audit Office budget to the budget of Audit Scotland, which comes to Audit Scotland through our budget. It is not a one-off provision, but will be part of our budget each year.

Mr Davidson: So there will be an increase in funding from Westminster on an annual basis.

Mr McConnell: Yes.

Mr Keith Raffan (Mid Scotland and Fife) (LD): As the minister will be aware, the Scottish Commission for Public Audit has taken evidence from the Auditor General on those specific points. Part of the substantial increase in the allocation is to cover setting-up costs of information technology systems and so on and is, therefore, a one-off payment.

Mr McConnell: As I understand it, part of this year's budget for Audit Scotland covers the setting-up costs of Audit Scotland, but I am not directly involved with that, as it is a matter for another body. The sum that appears in the order relates to the transfer of money that we have negotiated from the National Audit Office and the Treasury to cover the costs that were incurred previously by the National Audit Office and that it will no longer incur because some of its staff and responsibilities have transferred to Audit Scotland.

Mr Raffan: I would like to clarify one point about process. I am a member of the Scottish Commission for Public Audit, which takes evidence from the Auditor General on issues such as this—in particular, on his budget and

programme for each year. Do you accept automatically the recommendations of the commission, or do you enter into negotiations with the Auditor General?

Mr McConnell: As I understand it, the Commission for Public Audit would notify us of the amount that it believed was required to cover the costs of Audit Scotland for inclusion in budget papers. If we had any concerns about that sum in relation to the overall provision that is made in the Scottish assigned budget, we would, I presume, make representations to the commission, in an effort to adjust the sum up or down. If we thought that the sum was not enough to cover all the duties of Audit Scotland we would express that view; if we thought that the sum was too much compared with sums under other headings, we would express that view. Ultimately, the matter is for the Parliament to decide. Parliament will vote on the budget for Audit Scotland in the same way as it votes on other budgets. Although the Executive could express a view to the commission on the sum that the commission proposed to Parliament through the Executive, we would be bound to include the commission's request in the budget documentation.

Andrew Wilson: I have a quick question on the negotiations with the National Audit Office. What proportion of its overall budget has been agreed on for transfer?

Mr McConnell: I do not know, but the amount that was calculated by the NAO and agreed to by the Executive is the sum that the NAO will no longer spend in its offices as a result of the transfer of staff and responsibilities to Audit Scotland. Clearly, some of the National Audit Office's overheads will remain. For example, the offices in London where some of the activity that is being transferred took place will still belong to the NAO and will not be carved up. The amount that was calculated relates to the cost of the staff and duties that have been transferred. That amount has been passed to us.

Andrew Wilson: That is clear, but we would like more information on how the budget that has been transferred relates to the overall budget of the National Audit Office. The duties of Audit Scotland are probably greater than the previous Scottish share of the duties of the NAO, because under the devolved settlement there is greater interest in audit. If insufficient money has been transferred to cover those duties, might not that result in a greater than expected call on the Scottish budget?

Mr McConnell: I want to say two things about that. Many of the additional costs that have been incurred automatically by the Parliament, the Executive and other bodies as a result of devolution were catered for in the comprehensive spending review. It was recognised that the

creation of the Parliament, Audit Scotland and a number of other institutions, bodies and systems would involve additional costs.

Other costs have been budgeted for in the overall Scottish assigned budget. The agreed position under the devolution settlement is that the additional costs of devolution that are incurred as a result of decisions by the Parliament and the Executive in years to come about how those activities are organised fall on us. It is right that the National Audit Office has transferred this money to us because it is now surplus to its requirements and should be used by us to fund Audit Scotland. The responsibility for the level of Audit Scotland's activities clearly lies with the Parliament and the Executive, and is therefore for us rather than the UK Treasury to fund.

Andrew Wilson: That is relatively clear. Will you undertake to provide us with the detail of how the comprehensive spending review allocated funds to Scotland to accommodate devolution outwith the usual block and formula arrangements?

Mr McConnell: The comprehensive spending review amounts are published. I am happy to send you the published documents. The amounts have been debated from time to time in the chamber.

Andrew Wilson: Obviously, I have read the CSR, but I do not have a note of how the allocation comes external to the block and formula arrangements, which is what you implied. If the CSR allocates money specifically to accommodate the costs of devolution, should that not occur outwith the block and formula?

Mr McConnell: I apologise if I was not clear about this, convener. I was trying to say that when the CSR was carried out, the Scotland Act 1998 had been passed, so as part of the agreed outcome of the comprehensive spending review of Scotland a number of financial provisions were made to finance different aspects of the devolution settlement. Any additional costs lie with the Parliament and the Executive, because we decide on changes to those arrangements.

The various budgets that were agreed at the time of the CSR have been published. I am happy to provide Mr Wilson with those documents, although I suspect that they are available in the Scottish Parliament information centre. The provisions in different budgets, particularly in the Executive's administration budget, which we discussed in the committee in November and December, are reasonably clear, but I am happy to furnish the committee with that information again, if need be.

The Convener: We have gone wider than the item on the agenda. I have been benign, but I will now return to the order. I think that this will be the last point that we make to you.

Subsection 2(5) states:

"In Schedule 3, in entry number 4 (expenditure of Audit Scotland) in column 2, for '£1,700,000' there is substituted '£3,485,000'."

How does that sit with page 129 of "Investing in You", which states:

"Audit Scotland has an indicative funding requirement of £4.2 million"?

How can the gap between £3,485,000 and £4.2 million be explained?

Mr McConnell: There are three elements. The base budget that was included in the Budget (Scotland) Act 2000 was £1.7 million, as is shown in subsection 2(5). The addition that I hope that we will agree today is the transfer from the UK Treasury, which Audit Scotland will be given authority to spend. If we need to increase that amount, as I suspect we will as a result of the discussions to which Mr Raffan referred earlier, we will have to introduce additional supplementary estimates in the autumn programme of supplementary estimates. Those are on-going matters, as Audit Scotland is currently being established and is identifying its staffing levels and other provisions.

The Convener: So this is likely to be an interim figure for the financial year 2000-01.

Mr McConnell: The sole purpose of today's amendment is specifically to give us the authority to give Audit Scotland the money that has been transferred from the National Audit Office and the authority to spend that money.

Motion agreed to,

That the Finance Committee, in consideration of the draft Budget (Scotland) Act 2000 (Amendment) Order 2000, recommends that the Order be approved.

European Structural Funds

10:30

The Convener: The next item on the agenda is the inquiry into European structural funds. Minister, we are aware that you have given evidence to the European Committee, and you will be aware that the Chancellor of the Exchequer has declined to give evidence either to that committee or to this committee, and is not allowing a Treasury official to attend to give evidence. The committee has written to him again on that matter and has written to the Presiding Officer and the acting First Minister, because it is not satisfied with the situation. I have seen a letter from you to Hugh Henry, the convener of the European Committee, in which you stated that you were not in a position to comment on United Kingdom policy in this matter. Can you clarify that that is your position today?

Mr McConnell: I have been happy to answer questions in all committees in the past 12 months on how UK policies impact on our budgeting arrangements and any other areas that fall within my portfolio. I hesitate to try to explain the underlying rationale behind the UK policy developments of the current Government or any previous Government. I am happy to comment on their implications for our work, but that is different from explaining the background to policy decisions and deliberations and their implementation at UK level.

Mr Swinney: I am very interested in this point because it was my privilege yesterday to attend a meeting of the Scottish Grand Committee in London—I think that the *Official Report* of the meeting will be available tomorrow morning. In response to a comment by my colleague Mr Salmond, who was advancing the need for the chancellor or one of his officials to appear before this committee or the European Committee, the Secretary of State for Scotland said that the Minister for Finance is well able to deal with those issues.

Of course, I would always acknowledge that statement, but it does not seem to be a terribly good example of joined-up Government that the Minister for Finance—credibly—says that, as his responsibilities do not extend into UK policy, he is hesitant to question the background to UK policy, but when, under the devolution settlement, we present the argument to the Secretary of State for Scotland at the Scottish Grand Committee, he tells us the exact opposite. Where can the Finance Committee and the European Committee of the Scottish Parliament go, given that they receive, legitimately, no answers from the Minister for

Finance and that they encounter obfuscation from the Secretary of State for Scotland?

Mr McConnell: I would not want what I said to be rewritten, convener. Mr Swinney said that I said that I could give no answers, but that is not what I said at all. I am very happy to answer questions on the implications of policies for the work for which I am currently responsible. I gave those answers at the European Committee and will do so again today. I think that I have answered more questions from committees over the past 12 months than has any other minister. It seems a regular occurrence to be in this room, and it is again a pleasure to be here.

I make it clear that I am here to answer for my specific ministerial responsibilities, and that the role of the committee, its relationship with people who are called before it and the way in which it conducts its inquiries are matters for the committee and the people with whom it is in correspondence rather than for the Executive. I think that Mr Wilson made that point at one of the most recent meetings of the committee, and I agree with him entirely about that.

The Convener: It is not appropriate for you to comment on something that may have been said in another legislature yesterday. However, the matter has been important to this committee. I shall allow one more question specifically on this matter, before we move on.

Mr Raffan: At an executive level, we have joint committees working on different issues and away days at No 10 and No 11. Do you agree that it would be helpful, under the devolution settlement, for that kind of co-operation at an executive level to be replicated at a parliamentary level, so that we could work with, and gain full access to information from those who know about such matters, such as Treasury officials and the chancellor? Are you prepared to make that point to the chancellor?

Mr McConnell: As I said, I do not think that the relationship between committees of the Parliament and potential witnesses in their inquiries is a matter on which Executive ministers should comment. I have deliberately chosen not to do so, and I stand by that position.

I am happy to be as helpful as possible this morning. If there are outstanding issues that the committee wants to pursue, I am sure that it will pursue them. I have received copies of correspondence from the convener to UK ministers which pursue some of these points, and I am sure that the committee will carry out its duties in that way, as is right and proper. It should be clear that my position in front of this committee is to comment on my own remit and responsibilities.

The Convener: Thank you. You have submitted

a memorandum to the committee. Would you like to add anything to that before the questioning starts?

Mr McConnell: I would like to make a brief opening statement, if that is acceptable.

The Convener: Certainly.

Mr McConnell: I welcome this opportunity to appear before the committee to answer questions about the implementation of structural funds in Scotland. I appreciate that the committee is interested primarily in the additionality of the funds and their relationship with the assigned budget and the Barnett formula, but we must also consider the workings of the structural funds in the wider context, at least initially.

I stress that Scotland has a positive record of implementing structural funds. The committee may be aware that the European Commission has commended our decentralised and flexible approach to programme implementation and management. Some people have even described it as a flagship performance. We have made good use of structural funds in the past, and we use the funds to promote economic and social cohesion. The funds play a key role in supporting areas of real need, and our overall aim is to ensure that structural funds are used effectively and efficiently to leave a lasting legacy for years to come.

Under the terms of the devolution settlement, the Scottish Executive is responsible for the implementation of the structural funds in Scotland. Although we work closely with the UK Government, we are able to develop our own approach to the management of the funds, which will best suit the circumstances in Scotland. The principle of partnership underpins the whole structural funds process. As members will be aware, in Scotland we use programme management executives for the day-to-day implementation of the programmes. The PME's act on behalf of the various sectors, such as local authorities, enterprise bodies and the voluntary sector, which participate in the European partnerships. We are confident that that approach adds significant value to the implementation and management of the funds. That was confirmed by the report of the steering committee, which was published on 6 March, the recommendations of which were subsequently endorsed by the European Committee and me.

I hope that I can help to clarify the complex subject of additionality and provide any assurance that is needed to satisfy concerns. Although, on several occasions, the European Commission has confirmed that the UK has met, and continues to meet, the requirements of additionality, it is important to appreciate that additionality, as defined by European regulations, is only part of a

greater equation. As the Commission has confirmed, spending on structural funds is clearly additional to other programmes within the assigned budget. Since 1993, structural funds have been identified separately within the Scottish block, which is now the assigned budget. I can confirm that they will continue to be identified in that way, providing the transparency that we require.

I stress that all the funds that are received from Europe are passed to individual projects. Under the 1994-99 programmes, projects worth more than £2.4 billion were assisted, which involved more than £1.3 billion of structural funds grant. That represented a take-up of more than 99 per cent of the programme value. There is little doubt that the funds are very much appreciated by local project sponsors and have added something that otherwise would not have been available. There is added value to the structural funds locally, where match funding is provided by the member state through project sponsors. Those elements are necessary to ensure that the structural funds deliver not only additional outcomes to those that are provided by national expenditure programmes, but good value for money by ensuring that the European funding is directed to the areas of most need and reflects local priorities. One of the great virtues of the current system is that it provides local benefits and commitment through local additionality and match funding from project sponsors. Without a local sense of ownership, it would be difficult to ensure good value.

In summary, European structural funds have been, and will remain, separately identified within the Scottish assigned budget and additional to our national expenditure programmes. Structural fund grants are additional to local programmes, and match funding is provided by project sponsors. Our system works: it meets regulations and delivers added value to Scotland. Members of this committee will realise that the effective management of structural funds is an important, although complex, subject. I hope that, by the end of your inquiry, you will have an even better appreciation of the many issues that are involved.

The Convener: Thank you, minister. Let me kick off the questioning. The first sentence of your memorandum states:

"The Barnett formula has no role in the allocation of Structural Funds and nor should it have."

That seems at odds with some of the evidence that we have received hitherto in this inquiry. Can you expand on that? We understood that the way in which the funds are channelled from Europe via UK central funds was through the use of that formula. I understand what you say in the rest of the paragraph, but can you expand on that first sentence? That will be a major issue in our inquiry.

Mr McConnell: The allocation of structural funds in Scotland is decided by the various programme monitoring committees as a result of the programmes that we agree with the European Commission. The allocation of funds therefore does not relate either directly or indirectly to the Barnett formula.

The Barnett formula dictates the financial arrangements between the Scottish assigned budget and changes in national expenditure programmes at the UK level. It is calculated on a total basis at the UK level, adding up comparable programmes and giving us our appropriate share. Even at that level, however, the Barnett formula is not related to individual expenditure heads such as European structural funds. I explain that in more detail in the memorandum. For years, there has been an identified line separating the allocation of European structural funds in Scotland, from which we have benefited and will continue to benefit as a result of the arrangements that will be put in place for the next seven-year programme.

Andrew Wilson: The convener's opening comments indicated that we will focus on this specific issue, and on whether the overall budget, rather than specific programmes within it, will benefit from structural funds and to what extent.

At the meeting of the European Committee on 30 May, you made a commitment to provide the documents that the Executive is required to provide to prove the additionality of the funding. When will those documents be supplied to both that committee and this committee?

Mr McConnell: If documents have been promised, they will be provided before the European Committee produces its final draft report, for consideration by that committee and as part of this committee's inquiry.

Andrew Wilson: If we received them too, that would benefit our inquiry.

I am interested in the question of whether the structural funds are additional to the overall budget. You will be aware that that is the key question that we are considering. If the funds are not additional, or if additionality is not an issue, why did you say that

"any effort to ring-fence"

outwith that process

"would be a dangerous and silly move"?

If the funds are not in the budget, why would ring-fencing them be dangerous and silly?

Mr McConnell: With due respect, you are mixing up several issues. The structural funds are additional. Nobody in the European Commission, the UK Government or the Scottish Executive has

ever said anything other than that. The structural funds are clearly identified and are additional to national and local expenditure programmes. The very first premise of your question is based on a wrong assumption.

10:45

Andrew Wilson: You have missed out the key point, which is the regional or Scottish level. That is what we are interested in, not the local or UK level.

Mr McConnell: Sorry, convener. I should explain that, in this context, I used the word national to describe Scotland, which I regard as a nation.

Andrew Wilson: I am sure that it is helpful to have that statement on the record.

Mr McConnell: Perhaps Mr Wilson can confirm whether he also regards Scotland as a nation. [Laughter.]

Andrew Wilson: It is fair to say that I have been on the record with that statement longer than the minister.

We have received evidence from numerous academics and others on this question. Indeed, the Welsh Affairs Select Committee and the minister's colleagues in the Welsh Assembly seem to share the view that it would certainly be of benefit to ring-fence European funding outwith the block grant formula process. If everyone in those organisations thinks that it is a good idea, why, on 30 May, did you call it

"a dangerous and silly move for anybody to propose"—[*Official Report, European Committee, 30 May 2000; c. 699-700.*]

Is it dangerous and silly for your colleagues in the Welsh Affairs Select Committee and in the Welsh Assembly to propose such a move?

Mr McConnell: As I indicated earlier on another subject, I respect the roles of colleagues in other institutions. If you have read the transcript of the European Committee as carefully as I think that you have, you will notice that I very carefully do not comment on the position taken by my Welsh colleagues. That is their business, and it is right and proper for them to have their own position on the matter.

However, as far as Scotland is concerned, it is quite clear that if European structural funds were ring-fenced from our other programmes, we would lose out financially over the next seven years. That is not in Scotland's best interests and is not something that I, as Minister for Finance, want to pursue. My job is to maximise the amount of money that, given obvious limitations and regulations, we can spend on public services in

Scotland. How the budget is formulated is in the direct interest of the people of Scotland and we must defend the current arrangement for the next set of programmes.

Andrew Wilson: Minister, if European funding were ring-fenced, we would receive our allocated amount as agreed with the European Commission. Your statement that we would lose out if we were to receive our allocated amount suggests that we are currently receiving more than our allocated amount of European structural funds from the EC. If that is the case, who is losing out?

Mr McConnell: That is not the case. The amount of ESF that we will receive over the next seven years will, on average, be less than the Scottish assigned budget currently provides. As a result, if European funding were ring-fenced and separated out from the Scottish assigned budget, instead of consistently receiving the current amount over the next seven years, Scotland would receive less, and the Scottish budget would have less money in it. As I said at the European Committee on 30 May, that would be a dangerous and silly road to travel down.

Andrew Wilson: I will repeat my question. If that is the case, at whose expense are we receiving the extra funding? By definition, if we are receiving our allocated share, we are receiving no more and no less than our fair share. However, if we are receiving more than our allocated share, someone must be losing out.

Mr McConnell: The current arrangement will free up resources within the Scottish assigned budget for other programmes, because there will be less funding under the European structural funds heading than is currently available to us. Under the current arrangements, that money remains in our budget, which is a good deal for Scotland and should be defended by the Parliament and the Executive. Across the piece of the Scottish budget and the overall arrangements for the distribution of funds across the UK to all devolved bodies, there will be budget headings for all budgets that will allow people to examine how increases or decreases in funding over a specific period advantage or disadvantage particular areas at particular times.

The arrangements for adjusting that assigned budget year on year are currently the best arrangements for Scotland, and the Barnett formula is the best way for us to increase our budget year on year. We get a good deal from that. However, within that overall assigned budget, the amount of money for this purpose is currently more than we will need in seven years' time and defending that current budget is in the interests of the Parliament, the Executive and the people that we serve.

Andrew Wilson: Are structural funding increases or decreases to the UK overall, and specifically to the English and Welsh pots, included in the Barnett formula calculation?

Mr McConnell: They are part of the comparable expenditure for that purpose.

Andrew Wilson: In that case, why, at the start of your memorandum on ESF, do you unequivocally say:

"The Barnett formula has no role in the allocation of Structural Funds"?

Mr McConnell: As I explained to the convener, the way in which we allocate our structural funds in Scotland has no direct or indirect relationship to the Barnett formula. The overall allocation to Scotland through the Barnett formula is not based on specific programmes or outlined in detail as a result of such programmes.

Andrew Wilson: You will agree, minister—

Mr McConnell: Convener, I think that it might be helpful if I could answer the question.

As I explain in the memorandum, the overall allocation that we receive as a result of comparable programmes is based on the total spend, and is not broken down into individual areas. There is no direct relationship with the Barnett formula when we allocate ESF in Scotland. Furthermore, our allocation from the Barnett formula is not used to distribute individual programme budgets across the UK. It is a total allocation, and it is up to us in Scotland how we spend it, which is only right and proper.

Andrew Wilson: Convener, with your indulgence, I will follow up those comments, because I think that this is the key point of the inquiry.

Minister, your memorandum unequivocally states:

"The Barnett formula has no role in the allocation of Structural Funds".

In the light of your previous statement, does that sentence specifically mean the allocation of structural funds within the Scottish budget? As you said at the start of your evidence to the committee, you are well aware that we are interested in the allocation of structural funds to the overall Scottish budget from the Treasury. You have now said that those funds form a part of comparable programmes and are therefore taken into account in the Barnett formula calculation. How do you square that statement with the memorandum's opening statement, which can only be described as misleading or unsustainable, that

"The Barnett formula has no role in the allocation of Structural Funds"?

Mr McConnell: That is not the case at all. It is quite clear that, with regard to the allocation of structural funds within Scotland—

Andrew Wilson: No one is discussing that issue in this inquiry.

The Convener: Let the minister respond.

Mr McConnell: The allocation of structural funds is a devolved responsibility that I take seriously, and is not directly or indirectly related to the Barnett formula. At a UK level, the use of comparable programmes to distribute funding across the UK has resulted in a good deal for Scotland. Within the overall UK funding distribution, the structural funds money that the UK receives from the European Commission is, in our case, directly passed on through the Scottish Executive to the local projects that the funding is designed to support, and is additional to those programmes at UK, Scottish and local levels. There is no doubt about that, as every representative of the European Commission who has appeared before a parliamentary committee in Scotland and everything in writing from the commission have confirmed. Furthermore, our budget confirms that that is the case.

As Andrew Wilson has said, this is the most important point of this inquiry. However, it astonishes me that members of this Parliament wish to disadvantage Scotland financially in this way. Ring-fencing the budget would directly lead to Scotland losing money over the next seven years, and, as I have consistently made clear, it is wrong for any member of the Parliament to advocate such a course of action. It is my job as Minister for Finance to maximise our budget and its value for the projects in Scotland that we support.

I certainly hope that this inquiry will not find that we should give up part of our budget and somehow take a clear budget line that is identified as an additional expenditure line by the European Commission—never mind the UK Government—out of the budget and show it in a separate document or set of papers. I think that that would be wrong for Scotland and completely unnecessary. The current arrangement suits us financially, and it meets all the European regulations with which we are asked to comply because of our responsibility for the structural funds.

Mr Davidson: I do not wish to appear tedious—we have already had a long series of questions—but I would like to stay on the same topic, minister. Your first comment in reply to our written questions, that

“The Barnett formula has no role in the allocation of Structural Funds”,

is a black-and-white statement. From what you are saying, it would appear—you could perhaps agree or disagree as we go along—that the programme management executives run the programmes once the money appears. That is not, I think, disputed by this committee.

You then said that the money comes in from Europe, presumably via the Treasury. Scotland's targeted funds appear to be spent in Scotland, eventually to be passed on to the PMEs with whatever additionality there is from various support bodies.

Mr McConnell: The only thing in that which I want to correct is that when the European Commission pays the cheque, it does so directly to us, as the managing authority. It does not get paid to the Treasury to be passed on to us.

Mr Davidson: So the Treasury has no place in this?

Mr McConnell: The money from the European Commission goes directly to the Scottish Executive, and we pass it on to local projects.

Mr Davidson: So the Treasury has no role to play in what Scotland will qualify for?

Mr McConnell: A complex set of arrangements determine the total budget which we receive from the structural funds. There are roles at a UK level as well as at a Scottish level in negotiating with the Commission on how much each programme is worth to Scotland. The Treasury has a role in that, as do the Department of Trade and Industry and, in relation to social funds, the Department for Education and Employment.

We also have a role: we are directly involved in negotiations with Brussels on the Highlands and Islands programme and on the objective 3 programme. We and the UK departments have a role in resolving the total amount of money that could be spent in Scotland and in the programmes on which that money will be spent. As I said, when the money is actually paid, it is paid to us. We then pass it on to the local projects.

Mr Davidson: I accept the fact that the cheque comes directly to the Executive. What you have just explained is how the mechanism works for the negotiation with Europe.

Mr McConnell: Or how the programmes are put together at the start. Once the programmes are under way, our PMEs and programme monitoring committees agree the projects to which the money will be allocated and we then finance that: we get the money straight from Brussels and pass it on.

Mr Davidson: Can I suggest that the minister leaves the activities of the PMEs out of this: we accept what goes on when the money comes here. The question is how the money comes here

and how it is calculated.

You went on to say, minister, that there could be a tailing-off of funds over the next seven years. At that stage, does the Barnett formula kick in because of the comparable spends across the UK?

Mr McConnell: The Barnett formula does not relate to the existing budget of the Scottish Executive; it relates to additions—and, I suppose, in theory, subtractions—to the overall expenditure allocated to the various constituent parts of the UK. The Barnett formula is not directly related to the budget we already have; the formula is about changes to that budget.

Mr Davidson: Precisely—that was the point I was making.

Just for the sake of argument, suppose that in seven years' time it works out that, after all the negotiations, Scotland does not qualify for any structural fund money, but other parts of the UK do. Would the Barnett formula then kick in because of the relative overall change and the relationship to the Scottish budget and to the rest of the UK?

Mr McConnell: If I get your meaning, Mr Davidson, I think that you are asking if we would automatically lose that amount of money—

Mr Davidson: No, that is not the question. If we suppose that, for some reason, we do not qualify for structural funding but other parts of the UK do, does the Barnett formula kick in on the basis that there has been additional spending one way or another in other parts of the UK and that we are looking to the Barnett formula to help address that shift in the balance?

11:00

Mr McConnell: At that point, European structural funds would be being spent elsewhere in the UK and we in Scotland would not have money coming from Brussels to finance the programmes that had previously been in place. A judgment would need to be made at that time about the position taken by the Scottish Executive in discussion with the Treasury. One of the options on the table would presumably be to argue that that budget at least should remain in Scotland, on the basis that we have pressing social and economic needs on which we should continue to spend that money, even if we do not fit within the overall European priorities.

The £170 million or so that is in the assigned budget for European structural funds would still be in the Scottish assigned budget. It would not automatically be taken out of the Scottish assigned budget; it would still be in it. A decision would be made by the Parliament and the

Executive at the time as to whether they wanted to defend that money.

Mr Davidson: And that money would flow from the UK national Treasury?

Mr McConnell: That money is in the Scottish assigned budget, which we get from the UK national Treasury.

Mr Davidson: So the Barnett formula has nothing to do with that—it is a comparable mechanism, is it not? There would be a separate grant, over and above Barnett. Is that what you are suggesting?

Mr McConnell: The Barnett formula does not relate to the existing Scottish assigned budget; it is about changes to the assigned budget. My point is that at the end of the seven-year period, if there have not been any changes in the meantime—I recognise that some colleagues might want to ring-fence the budget and have money taken out of their budget, although I do not think that that will happen—we continue with a policy of having the assigned budget; that £170 million or so remains in the assigned budget.

Under Mr Davidson's scenario, at the end of the seven-year period we lose all access to structural funds. The assigned budget remains as it is at that stage, containing the £170 million. I imagine that colleagues elsewhere in the UK might say at that point, "Wait a minute, that was additional to the Scottish budget. We should perhaps have a look at that." Tactically, the Parliament and the Executive would have to decide at that stage whether that amount of money was worth fighting for in that time and in those circumstances, and to defend that as part of the existing assigned budget. That is not affected by the Barnett formula, which is about additions to the assigned budget. I am talking about the money that is in the assigned budget to start with.

Mr Davidson: Would it be correct that, regardless of whether the money comes labelled "from Europe" or comes through Westminster, the budget would remain intact? From what you are saying, it would not really matter whether the money came in labelled "ESF" or came in from Westminster as something else. I am just trying to get clarity on this from you, minister.

Mr McConnell: This does matter: we have to ensure—and we do, which is why we have all the written and verbal assurances from the European Commission on the record, saying that we provide for additionality—that the allocation of funding from the European structural funds is additional to the relevant national expenditure programmes. We cannot, should not and do not spend that money in ways which subtract, as it were, our contribution to the similar expenditure programmes elsewhere in our budget.

Mr Davidson: I do not argue that point. You are giving me the impression that you have no reason to argue against the fact that the money that comes clearly labelled "structural funds" simply has a label saying so and would be followed through the budget.

Mr McConnell: That is why we separately identify structural funding as a budget line. We have to account for every penny of it, and we do. I cannot overstate this: as recently as last Monday, we—Scotland—were held up at a major international conference attended by 550 delegates from all the countries of the European Union as the only example provided to delegates in the morning plenary session of a member state or nation or region within a member state that is distributing structural funds in a way that involves the regulations, partnership at a local level, match funding and additionality. We were the only people who were asked to give a presentation.

I cannot stress enough that the system that we use is held up as one of the best examples in Europe—because we clearly and separately identify the budget line for structural funds. We account for every penny we get; every penny is passed on to the local projects and the money is additional at that level. If a local project gets a grant from European structural funds and it is a local council, the section 94 consent is increased by the same amount, so the council can automatically spend it in addition to what it was originally planning to spend that year. It is additional money and it is clearly identified.

My point about the overall budget is that the amount of money that we are allowed to spend—the amount of money that we get from Brussels to pass on—is to decrease over the next seven years, but because that amount of money was all part of the assigned budget, or was at the date of devolution, money will be freed up inside our assigned budget. If we start on a bearing of seven years with £170 million of expenditure on European structural funds, we get to the end of the seven years and we can spend only about £135 million on European structural funds; £35 million remains in our assigned budget.

I have already said in public—I want to continue to press this case—that we should use that money to support economic and social development in Scotland, as the structural funds have done so well in Scotland over the past 20 years. Because of the shift in gross domestic product across Europe and the enlargement to the east, we are not necessarily going to have access in future.

Mr Davidson: Convener, can I—

The Convener: No, I am sorry. We will have to move on. Two other members want to speak on this subject and we have other subjects to

consider in this item as well as the other items on our agenda.

George Lyon (Argyll and Bute) (LD): I seek clarification on what happens to the allocated budget for structural funds. Given that the funding will be allocated and paid in euros by the European Commission, what mechanism is there to take account of currency fluctuations? There have been huge fluctuations in the value of sterling against the euro. Is a compensating measure built into the agreement with Europe? If so, who does the compensating: Europe or the UK Government?

Mr McConnell: At the moment, when we agree to the provision of a grant, we guarantee the amount of money in pounds. Even if the relationship between the pound and the euro changes between the time of the decision to give the grant and the eventual payment of the grant by the Commission, which is obviously some way down the line, we guarantee the amount of money, which we say at the beginning we will pay in pounds sterling. That is our way of guaranteeing to local projects that they will get what was agreed in their name—although they will not necessarily get what they bid for.

That can work both ways. The current currency movement would almost certainly be good for local projects, which could get more pounds than they would get from the guarantee. It can work the other way, but organisations in Scotland at least get the guarantee of stability and know what they can expect, regardless of what might happen to the currency. We in the Scottish Executive give that guarantee and take the financial responsibility for it.

When we win with the guarantee, we keep the pounds, but we lose the pounds when we lose. Our hope is that, over a seven-year programme, it will even out. If, towards the end of a seven-year programme, the currency fluctuations had been such that we had over-committed ourselves, we would need to make some adjustments. Similarly, if we had under-committed because of currency changes in the other direction, we would need to introduce new projects towards the end of the seven-year programme to commit fully.

I cannot stress enough the record of commitment in Scotland: 99 per cent against the agreed levels is one of the highest rates in the whole European Union. That is a tribute not just to the PMEs but to the staff in the Scottish Executive who manage this process over a seven-year period and try to ensure that we spend every penny. Although we might overspend one year and underspend the next, we try to even everything out over the whole programme.

George Lyon: I want to raise a point of

clarification.

The Convener: Please do so briefly, because we are supposed to be discussing the Barnett formula. I did not realise that we had moved on to a different subject.

George Lyon: If a £240 million programme agreed over the seven years were hit by 30 per cent revaluation in sterling, who would make up the difference? Would the programme simply be reduced at the end of the period?

Mr McConnell: If such a trend became permanent, we would have to make some adjustments to the programme before the seven years were up. The assumption is that over a seven-year programme, currency will move up and down and experience has shown that it is possible to manage the budget in that way. However, any permanent shift as between the UK pound and the euro could affect the calculation of the amount of money coming from the European Commission into the UK and then to us. That is one of the factors that the UK Government takes into account when it considers currency levels and overall economic policy.

The Convener: I know that Ken Macintosh is still on the Barnett formula.

Mr Kenneth Macintosh (Eastwood) (Lab): At the risk of sounding like a broken record, I want to raise a point of clarification about the Barnett formula. You quite forcefully made the case that Scotland benefits from European structural funding, which is matched and additional. Furthermore, we will see even greater benefits over the next seven years because reduction in European structural funds will not be matched by similar reductions in the assigned budget. The committee's main concern is that Scotland might lose out. However, from the evidence that we have received, it is clear that we might lose out only if European structural funding increases substantially above the £170 million that is already additional to the money in the budget. If that were to happen—which is extremely unlikely—any additions above that £170 million would be affected by the Barnett formula at the margins. For example, a £50 million increase on that £170 million, which is a fairly extraordinary prospect, might mean that we lose out to the tune of £1 million or so. Although I know that that situation is hypothetical, it is the only one in which Scotland could lose out.

Mr McConnell: The first and most important point is that that is not going to happen. We know our share of programmes over the next seven years and that, at the end of that period, countries much poorer than ours will have joined the European Union. Unless the structural funds dramatically increase as part of the overall

Commission budget and the rules change, we will almost certainly receive a smaller allocation because of our relative prosperity. We understand that and are trying to prepare for it in this programme. We know our position over the next seven years and can make a pretty good guess that, at the end of that period, Scotland will receive less structural funding because of its economic circumstances.

In response to your question, the first thing to point out is that there can be exceptional circumstances. For example, towards the end of the previous financial year there was a rush of applications ahead of time because the programme was ending. To help us cover that rush, we applied to the UK reserve for a temporary payment, which we will need to build back into the budget over the next two years. The statement of funding policy allows us to access the UK reserve in such exceptional circumstances.

Secondly, we have to manage the programme year on year. Because the payment of grants is dependent on the submission of final accounts for projects, there can be different year-on-year allocations. I am talking about the next seven years. The average expenditure will drop below £170 million and the expenditure at the end of the programme is likely to be less than that figure, but it is possible that expenditure will go up and down during the programme, depending on the size of projects that are claiming grants year on year. We have to manage that within the programme.

Over the next seven years, I will probably visit the committee regularly to get authority to spend because there has been a sudden rush of grant applications and we have to increase the budget temporarily. However, we will manage the decrease over the seven-year programme. There will not be the problem of the money increasing and therefore catching us in the trap that Ken Macintosh suggests.

Mr Raffan: Ken Macintosh's hypothesis is precisely what has happened in Wales: the considerable extension of objective 1 and the controversy surrounding the availability of additional matching funds. That suggests a link that you steadfastly deny, minister.

Mr McConnell: Those matters are currently the subject of discussions between the National Assembly for Wales and the UK Treasury.

Mr Raffan: I was not asking you to comment on the Welsh situation.

Mr McConnell: I wish them well in their discussions with the Treasury.

Mr Raffan: I would not want to encourage you to extend your empire to Wales, but it is clear that Ken Macintosh's hypothesis is similar to the

situation in Wales, where additionality has come to the fore because of the UK Government's inability or unwillingness to match the money.

Mr McConnell: I do not think that the discussions between the National Assembly for Wales and the UK Treasury on that matter are finished—they continue as part of the current spending review, which will cover the early years of the new programme. The European Commission has not yet agreed the new programmes, so local projects are not yet kicking in. It would be presumptuous of anyone in the Scottish Executive—or, if I may say so, the Scottish Parliament—to assume that the National Assembly for Wales will not come to an appropriate agreement with the Treasury. The current arrangement suits us in Scotland. I hope that those who question the arrangements do not cause any difficulties on that front.

11:15

Mr Raffan: I would not want to be presumptuous, minister, just as I would not want to be categorised as wanting to disadvantage Scotland. What puzzles me is that we have a very simple concept of additionality, yet—as you say—it has produced a highly complex set of arrangements. Why can it not be simple all the way through? You have acknowledged that there is a lack of clarity and transparency, which is why we are holding this inquiry. However, you steadfastly maintain the position that it is a simple concept that has been bogged down in a complex set of arrangements. I must say that some of your answers have not helped—I say that in my normal friendly fashion.

Mr McConnell: You almost forgot, Mr Raffan.

Mr Raffan: Oh no.

You said that there is no direct relationship with the Barnett formula. Does that suggest that there is an indirect relationship? You said that there is clear definition of additionality, but that it is part of a bigger equation. The trouble is that the more you speak, the more confused and complex the arrangements appear to be. Could you clarify those two comments about the relationship with the Barnett formula and the bigger equation?

Mr McConnell: I think that the *Official Report* will show that I said that the way in which we allocate structural funds has no direct or indirect relationship to the Barnett formula. It is important that we recognise that.

The arrangements can be complex, but they could also be simpler. I know that Mr Davidson does not want me to mention the programme management executives again, but one of the reasons we had the review of the PMEs was to

ensure that the identification of the money is as simple and transparent as it should be, all through the system.

The European Commission has been happy that we have delivered additionality, but I want to be sure that everybody in Scotland can see that for themselves. We allocate in our budget a specific line for European structural funds to show the amount of money that we get from the European Commission and how we spend it. As that money travels through the system, it is important to have consistency across the PMEs and some guidelines to the project sponsors on how the money should be identified at a local level.

It is clearly being spent as additional money at a local level and is being matched by the project sponsors. Greater consistency and clarity across the programme management executives would enable us to prove that at the flick of a switch rather than have in-depth inquiries. In an age of electronic technology, there is no reason why we could not improve the consistency.

Mr Raffan: I understand your point about ring-fencing. I do not want to go over that ground again, but I will say that I wish that your aversion to ring-fencing extended to local government as well.

Other countries monitor the process differently, to ensure clarity. We are both seeking clarity, but we do not have it just now because we are bogged down in what you have described as a highly complex set of arrangements. You are not coming forward with any measures to simplify the process and to make it clear to the ordinary man in the street.

Mr McConnell: I am not at all sure how much more we can do. We show that budget line absolutely clearly in numerous documents that were not produced before devolution and we show our budget in great detail. We show that the money exists and is separate from our other budgets. I would be happy to take on board suggestions about how much more often we could publish that piece of information or how much more attractively we could present it.

We get the cheques from Brussels and pass them on to local organisations. That process is accounted for nationally and locally. We should clarify the reporting arrangements at the local level, of course, but the way in which we account for the process at a national level is held up as one of the best examples in Europe. I do not accept at all the suggestion that other countries do it better.

Mr Raffan: I said that they do it differently.

Mr McConnell: Perhaps our way is better.

The Convener: In the European Committee it

was said that, in Belgium, the funds go directly to the devolved administration. Is that a possibility in the UK?

Mr McConnell: My point is that the funds go directly to the devolved administration in the UK. We get the funds directly from the EC.

Dr Simpson: The confusion arises from your laudable determination to ensure that the Scottish assigned budget, including the European element, does not change. As the European funds reduce over seven years, the Scottish budget will not reduce. That means that we will retain our ability to spend whatever we want to.

I am trying to grasp what the concept of additionality means in relation to a budget that does not change. The £170 million of European money that we will have at the start of the seven-year period will reduce to £135 million by the end. That will have an effect on the money that we apply to that. Our matching allocation—say that it is 100 per cent—also has to go down. That means that £35 million is released from PME projects. If we decide to spend the money on exactly the same thing, how does it remain additional? It is either additional to what we are doing or not.

Mr McConnell: There might be additional things that we would want to do at that time.

Dr Simpson: I understand that.

Mr McConnell: In seven years' time, no matter how successful the current Government and devolution are in Scotland, there will still be economic and social problems in this country. My point is that, once it is freed up, we can use that money to deal with those problems. Of course, the money would be additional to existing budgets—that is a matter for the Administration at the time to address. The Scottish Executive might decide that the overall budget for Scottish Enterprise, further education, or whatever the money is additional to, needs to take account of the fact that that £35 million has been identified.

Dr Simpson: I understand that it will no longer have to be matched. The question is whether that can be called additional.

Mr McConnell: I was not suggesting that. At the end of the process, the £35 million will not be additional in the European sense, but it will be in our budget and will therefore be additional for us to spend. At the end of that seven-year period, if that figure amounts to £135 million of European structural funds in Scotland—and I am using figures just as examples—that £135 million remains additional. It is still additional to existing programmes.

The definition of additionality is based on the money coming from Europe and being used in addition to existing programmes. That money will

be additional to existing national programmes, whether in Scotland or—as Mr Wilson may prefer—in the UK. We do not cut an existing budget and replace it with money from the European structural funds, and the Commission is very happy that we do not.

Andrew Wilson: I would like to clarify the logic of your position. You are arguing that the money comes directly from Europe to the Scottish budget. You say that the cheque from the Commission comes directly to you. You also say, however, that the comparable programmes that are calculated using the Barnett formula include structural funds, so we are to assume that they are adjusted to accommodate changes in the European funding.

If the logic of your position is that we gain as European structural funds are reduced, do we lose as structural funds are increased?

Mr McConnell: I am sorry: could you please repeat the question?

Andrew Wilson: The logic of your position is that, as our actual level of structural funds decreases, we gain from the way in which the structure currently allocates funding. Conversely, as the level of structural funds increases, we lose. Is that correct?

Mr McConnell: I have been trying to describe the position. The amount of funding that will be allocated to Scotland over the next seven years will gradually decline.

Andrew Wilson: We know that. That is self-evident. However, if the funds increase, will we lose out?

Mr McConnell: They will not increase.

Andrew Wilson: Structural funds have been in place since 1975. The Barnett formula has been in place since 1978. Every year since 1978, until the current programme, structural funding has increased. If you could clarify that point, that would be helpful.

You argue that, as the block is in position, the Barnett formula will allocate only changes. However, the allocated changes have been made in at least 21 of the 25 years of structural funds, unless—you are shaking your head—that assessment is incorrect.

Mr McConnell: I am describing the assigned budget, which has been in place only since last year, and I am attending this committee to talk about the devolved arrangements, which is what I am describing. The assigned budget includes the amount of money for structural funds, which, over the years, has been clearly identified in the Scottish Office estimates. Since last summer, we no longer have a Scottish block, but we have an assigned budget, which has been agreed.

Because of an accident of history, the assigned budget contains an amount for structural funds that is more than we will be allocated by the European Commission over the next seven years. That is why resources will gradually be released.

No one can tell what the position would have been if the pre-devolution arrangements had still been in place and if we had a Scottish Office as a department of the UK Government rather than a devolved Administration. However, we have a devolved Administration with a clearly agreed budget. That budget is adjusted in relation to the Barnett formula as a whole—not in relation to individual programmes—but the assigned budget includes more money for the European structural funds than we will be allowed to spend by the European Commission over the next seven years. That will free up money within the assigned budget, and is a particular outcome of the devolution settlement.

I think that I made this point at the European Committee, so I am not giving away any great state secrets, but the process could easily work the other way in other areas. We have our assigned budget. There will be pros and cons and there will be some areas where the amount of money that happened to be in the assigned budget at a particular moment is slightly less than is needed to deal with a particular pressure in Scotland. We must accept responsibility for that but, at the same time, that assigned budget has been agreed, so the UK Treasury has accepted the responsibility for the amount of money that we have, in relation to structural funds, within that budget.

Andrew Wilson: That is clear, but my point appears to have been ignored.

Devolution has not changed how the Scottish budget is financed, other than the fact that the block is now called the budget. Has the Barnett formula comparable expenditure included the rest of the UK's structural funds since its inception in 1978? If so, the only carry-on, or, to use your words, the only historical accident, is the inherited block of structural funds in 1978. Every other part of the total sum has been influenced by the Barnett formula.

I suggest that it would help the Finance Committee and, perhaps, your own understanding of the situation if we were able to see how that calculation has worked on an annual basis, since the inception of the Barnett formula. Then we would be able to see quite clearly whether your assertion is correct. Without that breakdown, we cannot make that judgment, as we do not know what the historical block has been from 1978, compared with what has been influenced by the Barnett formula in every year since then. It would make life much easier if you could make that

commitment now.

11:30

Mr McConnell: I am sorry, but answers to those points have been provided in response to parliamentary questions and in other ways over recent months.

Andrew Wilson: They have not.

Mr McConnell: Correct me if I am wrong, but the position was made perfectly clear in those answers.

The arrangements changed during the period that you mentioned. For example, the allocation for European structural funds came together into one amount, even under the old Scottish Office budget, only in recent years. Previously, it came in different amounts from different UK departments through the Scottish Office and into local programmes. In some cases, it went straight to local programmes and did not even go through the Scottish Office. Therefore, changes have taken place over that period—changes in the amounts, changes in the way in which the amounts were calculated, changes in the way in which payments were made and changes in the method of calculating the sharing out of moneys and the relative percentage of different programmes that Scotland has received. Those changes have influenced the amount of money available, year on year, over that period.

I am not here to answer for previous Administrations. I am on the record as saying that previous Administrations and the European Commission said consistently that, in each case, that money was additional. Prior to the early 1990s, I was involved in a row, through the Convention of Scottish Local Authorities and as a council leader. We argued with the Government about the additionality of section 94 consents at a local level. That row was resolved to the satisfaction of the European Commission; with that exception, the situation has been described consistently by UK Governments as one that delivered additionality, and that approach has been approved by the Commission. Apart from the fact that the position, which the Commission verified, was made clear on the record, I am not in a position to say much more about previous Administrations.

I can talk about the situation in which I find myself, as Minister for Finance, and in which we, as the Scottish Executive, find ourselves. We have an assigned budget that includes that amount of money, which we can—and do—deliver to the projects at a local level.

Andrew Wilson: You have been good with the length and detail of the answers that we have had

to go through today so far.

For my final question, I will repeat what I have just asked for. To sustain with evidence the argument that you have put today—which, I accept, is a reasonable argument to assert—we require to see the actual calculation within the allocation of the Scottish block, which became the Scottish budget, since the Barnett formula began. That calculation should accommodate the share of comparable expenditure accounted for by structural funds in the rest of the UK, and such information should be available to you, minister, if accounts have been kept going back over time. In order to sustain your argument, you would have to have that information at your disposal.

Will you undertake to provide to the Finance Committee information about the historical accident that you referred to, or the overhang that was in the block from before the Barnett formula—in other words, the structural funds that were directly allocated? Will you also provide the actual Barnett share of the overall structural funds that were allocated to the UK in each year since 1978, 1979 or whenever the Barnett formula influenced that area of the budget? That is the only way in which you can sustain your argument.

Mr McConnell: I apologise if my answer was not clear enough when we discussed the topic earlier. My understanding is that comparable programmes are calculated as a totality. The appropriate percentage is then passed on to Scotland.

European structural funds have occasionally come in different ways—from different departments and at different times. In recent years, they have come as part of a single block. The information that I think Mr Wilson requires is not readily calculable or available. What is important is the amount of money that has been spent, and Mr Wilson already has that figure in an answer to a parliamentary question. Also important is whether that money is additional to existing Scottish programmes. The answer is yes. The European Commission has verified that. I am not here to speak for previous Administrations, but I can go by what is on the record from the European Commission and from those previous Administrations, which have said, both jointly and separately, that that money was additional at that time.

The Convener: We have gone into this matter in considerable depth. David Davidson has a question on another subject.

Mr Davidson: I would like to hear the minister's views on match funding. If, through the assigned budget, the minister makes a grant to local authorities, and if those authorities get involved in schemes through the PME's and then find

themselves a bit short of money, but still cough up the money for the schemes by cutting money from other services, how can that be additional spending? Is the spending on the PME project totally additional or not?

Mr McConnell: There are two elements, and it is important to differentiate between them. There is match funding and there is additionality. They are two completely separate things—well, they are not completely separate, because the money ends up being spent on the same projects, but they are separate issues.

Local authorities have to show additionality at a local level. For example, if authorities get projects agreed and obtain grants through the Executive from the European Commission, that money has to be additional to the authorities' existing expenditure programmes. That is why we automatically increase their spending consents by the amount of money of the grant, so that the money is additional to their local spending. As a result of the grant from the European Commission through us, they would not have to cut any existing local programmes in order to spend that money, because the spending consents that they have at a local level would automatically increase.

In match funding, there has to be a local contribution to the project that the grant is going towards. There is a grant from the European Commission and then a matching contribution towards the project from local public or private agencies. Authorities will find that money from their existing budgets. There is, as I said, a very important reason for that: there has to be a local commitment. The project sponsors cannot just think up projects that they think might be nice; they have to have priority projects that they want to carry through. One way of ensuring that they show commitment is by asking them to make a contribution from their own budgets. As well as ensuring that there is commitment, we have to ensure that the project represents value for money. The best way to achieve that is to ensure that anyone who is making a contribution to the project is doing so from their existing budgets and is not simply getting funding that will be added in. The match funding comes from existing budgets.

When budgets are allocated across Scotland—whether to enterprise companies, colleges or local authorities, or to the many other bodies that help to fund European projects at a local level—the fact that they need particular developments in their area is taken into account and funds are made available accordingly. For example, Highlands and Islands Enterprise has historically had a higher funding figure per head than Scottish Enterprise, and I am sure that that has been partly influenced by the economic and social circumstances of the area, projects for which have had to be match-

funded at a local level. That is not a bureaucratic tool which has been invented to please accountants; it is a tool to deliver projects at a local level, which will have an impact in the areas of Scotland that need those projects the most.

Mr Davidson: I will take Aberdeenshire, where I live, as an example. I am not arguing the case for Aberdeenshire; I am just using it as an example. If, for one reason or another in its budget management process, the council ends up short of funds, will you give it the permission to borrow over and above its current limits in order that it can provide match funding, so that projects go ahead?

Mr McConnell: No; I am sorry. If an authority is successful in applying for European structural funds for local projects, it will automatically get consent to spend the money that it gets. The match funding is the authority's own money—the contribution that it makes to the project must come out of its existing budget. Therefore, when it makes the application for the project, it should have allowed for a contribution to the project in its budget. The two bits of funding come together—hence the term match funding.

Mr Davidson: Thank you. That was helpful.

The Convener: I am sure that questions on this subject could go on longer, as there are other matters that we could have considered. However, I would like to thank the minister for his comprehensive responses. The questions have been on matters at the core of this inquiry, which is why we spent so much time on them.

11:40

Meeting adjourned.

11:50

On resuming—

Budget 2001-02

The Convener: Now that we are suitably refreshed with coffee and biscuits, we will resume and move on to item 6 on the agenda, which is our consideration of the 2001-02 budget. The minister is giving evidence. Does he wish to make an opening statement before we address specific aspects?

Mr McConnell: I do, because I am aware that some of the issues that have been raised in the public meetings of committees are important to members; I want to address them briefly. I am genuinely not clear about what my appearance here is meant to address: whether it is the overall shape of the document, individual budget line inquiries or the consultation process. If we get into a particularly detailed line of questioning, I hope that you will not mind if I use the officials who are present.

In addition, it is my long-term hope for the budget process—which was designed on an all-party basis for good reasons—that we get to a stage over the next few years where, at this time of year, we have an open and frank debate about the shape and the priorities of the Scottish budget. That will be a good and integral part of the process, and it is achievable. It is a fundamental function of devolution that we work in that direction.

The current process draws to a close at the end of the month; I recognise that it has been difficult and that there are challenges in the early stages. I am also conscious that this year is the first time that the system has been tested. There are lessons to be learned about the provision of information, and I suspect that the committees will learn lessons from how they have handled this part of the process. I am comfortable to be part of that learning process.

When we assess the stage 1 process—and I am sure that the Finance Committee will want to be involved in that—we should measure its success against appropriate criteria. If there are any criticisms of the process, they should not be made as a result of misunderstandings or misinterpretations of what this part of the budget exercise is about. However, criticisms represent an opportunity for us to debate the fundamentals of the trends in national spending in Scotland.

As part of the spending review that is currently under way, and as part of the budget consultations, the sort of issues that I hope we will tease out over the next few weeks—if they have

not been teased out a great deal so far in individual committees—are whether, for example, the priority given to education and health increases in expenditure in comparison with other areas strikes the right balance, and, with regard to local government, whether the relative priority given to education and social work is the right balance. I know that comments will be made on that, and I hope that we can learn from it.

It is clear that the committees have not found the stage 1 budget scrutiny process easy. Perhaps the committees have been discovering some of the difficulties of trying to work within a fixed budget. In a comparatively short time, they have had to get to grips with a range of complex figures. They have had to make difficult strategic judgments on the relative priority given to particular services. I hope that those difficulties can go down as experience gained. Once the committees are more familiar with the budgets and have discussed issues within the budget time scale each year, some issues might come up automatically as part of the budget process. That will be a good thing.

Initially, one of my concerns about stage 1 this year was that the committees might become too embroiled in the detail. It is important that we try to concentrate the stage 1 process on comparatively high-level figures in the annual expenditure report. It is always possible to write in more detail, but in providing more detail initially, we might find that we have less strategic direction and more questions, that less real debate takes place and that we get drawn into specific issues that the Parliament can deal with in other ways, at other times of the year, through parliamentary questions, statements and debates.

I am not persuaded by some of the comments that I have read in the press and which have been made in committees, that the report should be expanded in some way. One of the things that we could do over the next few weeks is consider whether such a report is the right approach. Obviously, the resource accounting and budgeting changes are coming. We will have to review the format of the document in any case.

The document has three audiences: the committees of the Parliament; the academic audience, which needs the figures for the record; and the public of Scotland, who might need the information in a slightly different format if they are genuinely to take part in the consultation process.

It would be helpful if I were to meet the conveners of the committees, individually or collectively, before we go much further into the summer, to learn from their experience of convening committees that have discussed the document thus far. I would be happy to do that. Perhaps the Minister for Parliament and the committee could make moves in that direction.

It might also be helpful if officials in the finance department of the Scottish Executive and those responsible for links between the Executive and Parliament were to meet with someone from the office of the chief executive of the Parliament, to consider the way in which, over the first 12 months, we have provided financial information to the Parliament. The written agreements will kick in shortly; I understand that they might even be lodged on the day of the debate on the report at the end of the month.

There are lessons to be learned from the first 12 months, for example, whether the expectations about what the Executive can provide to Parliament on a regular basis are realistic; and what information—and the format of that information—would be helpful for members, for clerks and for others in the Parliament.

Those are two suggestions: first, that we get some feedback from the conveners on the process; and secondly, that officials could meet to discuss how to conduct the exercise better next year, and to learn from our experience.

The process involved asking the committees and the general public for their input into the overall shape of public spending in Scotland. I am pleased that we have made a start. The committees have begun to address budgeting issues seriously in a way that would never have been part of the parliamentary process at Westminster. That is a good development.

The two public consultation sessions in Dumfries and Greenock were wide-ranging and interesting. There was genuine feedback about areas that people feel are under pressure at a local level and areas where people feel that we could spend the money better, releasing more resources to front-line services. I would be happy to provide feedback to the committee on those events, once it has been completed. We have also received more than 120 written responses to the document from individuals and organisations across Scotland, which is way ahead of what we would normally expect for such an exercise. That is a good development.

Stage 1 has an important place in the future budgeting process. We will have to work hard to extract maximum value from it, but I am convinced that we have got the basics right. If we learn from this year, we can make real improvements next year.

I realise that I have not referred to the numbers contained in the document, to the overall structure of the budget or to the strategic issues that I have been encouraging everyone to address. However, I was conscious of the fact that we have now reached the end of the committees' consideration of the annual expenditure report and I wanted to

concentrate on the particular points that I have addressed. I hope that that is helpful.

12:00

The Convener: Thank you, minister. You made a point about the learning curve. The committee is also aware of that—we are in the first year of this process and we want to improve it. We want to make the figures that are produced more accessible; you mentioned the public consultation that is taking place on that. It is a question not just of what the committees of this Parliament can get out of public documents such as “Investing in You”, but of what the wider public can get out of them. The committee feels not that there needs to be more information per se, but that there needs to be more accessible and immediately understandable information. At some stage, I will ask you to comment on how the public consultation process will fit in with what the committees are doing and with the Parliament’s debate on 28 June. I know that the public consultation period ends on 19 June, which is less than a week away. I hope that there will be a way of feeding that into the debate that we will have on 28 June.

Obviously, the committees have reported in detail and you have not seen the detail of those reports. The Finance Committee has considered that matter; we are learning from the process as well. We would be interested to know what you feel. Would it have been better if you and your officials had received all the committee reports, so that you could have answered questions on the detail of the reports? The fact that you have not been given the detail clearly restricts us, and we might want to do something about that in future.

All the committees have said to us that they have not had sufficient time to do this work. That is the result not simply of the limit on the number of days available, but of the competing demands on committees’ and individual MSPs’ time. I have already written to the Presiding Officer on behalf of the committee to say that the way in which the Executive’s business is programmed for this part of succeeding years must take into account the work load that is placed on the committees. I am sure that we will improve on that next year.

Members will want to ask about specific points. I would like to concentrate on two recurring points that were made in the responses from the committees. The first relates to the figures that are provided—in real terms and in cash terms—and the way in which they are presented in “Investing in You”. Wherever possible, those figures should be presented side by side, so that comparisons can be made more easily than is the case at present.

My second point concerns targets. In your letter of 12 June, which was a response to my letter of 4 June, you commented on targets. The third bullet point in the letter refers to underspends and the 75:25 split, which, you say, is intended to create a contingency fund. If targets are being set, there should be greater clarity on the expenditure that is expected. The underspends to which you refer seem to have an impact on targets. What sort of underspends are we talking about? How great will they be and what effect will they have department by department?

Those are the broad issues that I would like to kick off with. I know that other colleagues will want to make more specific points.

Mr McConnell: You have raised four issues, convener. I will look into what we can do between 19 June and 28 June to pick up lessons that have been learned or feedback that has come from the public consultation, to help inform the debate in Parliament on 28 June. I do not want to commit myself immediately to providing a comprehensive report in that time scale, but we can perhaps give some indication of the shape of the responses, if that would be helpful and possible. The public consultation has gone well. The degree of interest in the first year has been encouraging, and it will grow year on year.

On the issue of timetabling, we delayed the publication of the report this year because of the announcement by the chancellor in March of the additional money. At the end of this year’s process, we will examine how we will take account of the timing of the chancellor’s budget statement in future years. We will consider whether we should publish earlier to ensure that the chancellor does not make his announcement while the document is at the printers or whether we should publish later, on a timetable that is agreed with the Finance Committee, to take account of what he says. It is a difficult management arrangement. I think that it is right to hold stage 1 at this time of year. If we are to give a response to the consultation and to the committees in the chamber each year before the summer recess, it is not easy to see how that timetable can be rearranged. I am certainly quite happy that, initially at least, officials should consider that matter in the Parliament and the Executive and that we should return to both those issues well in advance of next year’s arrangements.

On the two other issues that have been raised by the committees, it is not just a matter of examining the presentation of the real-terms figures and the cash figures, although that can be improved. There is also an issue about the end-year flexibility impact on different budget headings. Perhaps we need to find a way of extracting some of those figures to give the year-on-year

comparison a degree more transparency and accuracy. I am happy to examine that and any other suggestion about the way in which figures interrelate on the pages of the document and on what might need to be taken out. I must have answered a dozen parliamentary questions in the past three or four months about the comparison between local government spending three years ago and today. So many of the answers have had to be qualified by references to Strathclyde Passenger Transport Executive or the changing arrangements for the social inclusion partnerships that I think, when there have been significant changes in budgets as a result of end-year flexibility or for other reasons, perhaps we should build them into the comparative figures in a way that is more clear for the reader who is approaching the figures for the first time.

On the issue of underspends, we are currently in discussions with the Treasury about the size of the end-year flexibility that is available as a result of the 1999-2000 budget. I hope that we may be able to make that information available to Parliament before the summer recess, but I cannot guarantee that. I would prefer not to make that information public when Parliament is not meeting. As soon as we have that information, we will decide what is required and what is not required, and will give that information to Parliament as soon as possible.

Elaine Thomson (Aberdeen North) (Lab): I want to raise the matter of public consultations and how this kind of information is made available to ordinary people. The public consultations that you are holding are very useful. I know that you are going to Aberdeen tonight, which will be much appreciated.

A question that has exercised the committee over the past few weeks is how the information is made more accessible to people at different levels, given that, as you say, there are different audiences for it. How might that be achieved? It occurs to me that there is potential for producing this kind of information electronically—I know that my colleagues think that I have a bee in my bonnet about this. Then we could have our cake and eat it. We could look at the information at whatever level we want. It might be useful to consider multimedia presentations that can be located in libraries so that they are accessible to everybody. Then everybody can listen to what you have to say about the Scottish budget. As has been mentioned, "Investing in You" costs £16.50, which is not particularly accessible for people on low incomes.

Many of the committees came back with comments on gender-disaggregated statistics. There seems to be a lack of good, hard information when you try to consider what the outcomes of programmes have been and what it

has meant in terms of different age groups, people with disabilities, gender or whatever. How can that be considerably improved?

Mr McConnell: First, the document that we published was put on the website, which meant that people had access to it. We also circulated a lot of copies without sending people an invoice. This year, for the first time, we produced the shorter leaflet, which is general in its approach, but was an effort to have something that we could hand out at consultation meetings or that members could use locally—some have chosen to do so.

There are three distinct audiences for this. There is an issue about members of the Parliament being able to access the information that gives them the opportunity to help to shape the budget. There is also an issue about putting the spending plans and record of the Executive on the record for academic and other purposes. Another issue is about providing information to the public on the shape of spending in a way that allows them to accurately contribute, in an organised fashion or otherwise, to what we have done. Providing that information in electronic form is definitely one way of doing that. I agree with Elaine Thomson that that gives us an opportunity to provide it in multiple designs, so that people can access it in their own time and their own way.

We must also find a better way of producing the printed information. I hope that we can achieve that, although I do not want to run down the efforts that went into producing the "Investing in You" publications. A lot of work went into them at a busy time for those involved. The latest publications are significantly more accessible than those produced in the past.

We had a positive meeting with Engender and the Equal Opportunities Commission about the disaggregation or reflection of issues of gender and discrimination inside budgets. We are considering how to take that issue forward. I do not think that I am giving away any secrets if I say that it is not a straightforward issue. A lot of the work that has been done in other countries, and in the UK, in relation to women's budgeting has been on tax and benefits rather than on spending programmes. It is not straightforward for us to find a constructive way forward, but we are committed to trying to achieve that. I hope that, before the summer recess, we might have an opportunity to outline our plans to members.

Andrew Wilson: We are short of time, so I will just ask Jack McConnell a series of questions.

Would you agree that we can follow on with questions given the tightness of time? I do not know if your officials are in a position to provide responses in advance of our report, but it might be

that there is quite a lot that we will have to mop up after this meeting. Will you comment on that?

Once you have the joy of seeing the committee reports, you will see that, while the committees are also in a learning process, the key theme is the presentation of the document. I know that people have put a great deal of effort into that, but given the new context, there is much concern about it. I do not want to make partial points on that, but there is a concern about presentation, to which I hope you will give due consideration.

12:15

A moment ago, you mentioned that you were in negotiations with the Treasury about the underspend. From your comments at previous committee meetings, I understood that there was no need for such negotiations, as you had full flexibility. Why do you have to have discussions with the Treasury, if you can reallocate all your underspend?

I would also like to ask about your letter to the convener. You have invested the money from the chancellor's March budget immediately into health and enterprise, but some of that money is still unallocated. Can you tell us how much money is still unallocated, when you expect to allocate it and in what form, and when that will be announced? Which priorities have you altered from the chancellor's budget, or have you merely allocated the money on the basis of a population share of the changes elsewhere?

Finally, you will see from the reports of the Health and Community Care Committee and the Local Government Committee that there is much concern over the cost increases within specific areas. The Local Government Committee's report states that

"the current system, where the Executive expects that pay increases will be funded by 'efficiency savings' is unsustainable."

What are your comments on that? The Health and Community Care Committee's report says that the increase in cash that is being made available

"does not translate fully into real terms growth in the capacity of the NHSiS to deliver services as real inflationary pressures in health are above the general deflator of 2.5%."

The committee is very interested in that issue, and your comments on it would be gratefully received.

Mr McConnell: I am at a slight disadvantage, as I do not have copies of the written reports. In future years, it would be helpful to have sight of them, although I recognise the difficulties in trying to put together a composite report.

The Convener: For that reason, we do not expect detailed responses.

Mr McConnell: I can give an absolute undertaking that, if those reports were provided to the Executive in advance of this meeting each year, they would be treated with confidentiality. As well as the published report of this committee, it would be useful if those individual reports could be passed on to me. I could then distribute them to ministers so that they would receive useful feedback from the committees.

My view on the health spending is clear: there has been a real-terms increase. How that is spent under individual budget heads, according to relative increases and decreases in demand and inflation, and on individual items of expenditure, will probably be the subject of debate for the next few months. However, there can be no doubt that the significant increase in real-terms spending in health, which followed the chancellor's budget statement, is going to make a huge difference. It surpasses our expectations when we began drawing up our budget document, although the announcement was clearly made before the document was published and we were able to change it as a result. Some of the figures were not included at that time partly because we had not made final decisions in the areas of health and enterprise but also because, in education, some of the money is spent centrally and some is spent locally, and we would not have been in a position to allocate the difference between the central and local government budgets.

I am well aware of the view that is consistently expressed by local government in Scotland on the way in which we expect some—not all—of the pay increases for local government employees to be financed from efficiency savings. We have received strong representations on that issue, which we have taken on board. We will include them in our current discussions with local government officials on the comprehensive spending review. My publicly expressed view is that I am open to suggestions as to how that might change, but there must be a measure for efficiencies within the local government finance system as a year-on-year driver. If there is no direct link between efficiency savings and pay, there must be some other link. The debate goes on, and that will be one of the issues that people will pay regard to when the spending review comes to a conclusion later in the summer.

On negotiations, the end-of-year flexibility issue that we have to resolve with the Treasury is the timing of our announcement, as the national books are put together and announcements are made about end-year flexibility. The parliamentary timetables at Westminster and in Scotland are different, and I would like to make this clear to members before the summer recess. I hope that we might be able to do that. I would anticipate that the Treasury may make its announcement while

we are in recess. July tends to be the time of year when such things are done, and we are having discussions about it.

You made another point at the beginning, Andrew: I wrote down "more responses", but I am not sure what the point that you made was.

Andrew Wilson: The two remaining points that I made were, first, when you would make your announcements on the allocations that are still to be allocated, which exist outwith the sums in this budget and, secondly, whether you will give an undertaking to answer as soon as you can the responses that still have not been mopped up.

Mr McConnell: Members may have issues which would appropriately be answered in other formats, for example, parliamentary questions. I am happy to continue to oblige with as much information as I can on that front. If there are outstanding issues for which committee members would like to request further information or clarification, I am happy to try to oblige, although I cannot promise always to give you everything that you want.

On the issue of the money now allocated from the March budget announcement, I believe that a statement was made to the Parliament about that last month. At the time, it may well have been the subject of some comment from you, Mr Wilson. I suspect that we might find that the *Official Report* quotes us both.

The Convener: We will have to move on. I think that every member wants to ask a question, and Keith Raffan is next.

Mr Raffan: I will begin with a couple of brief points, because I want to cover quite a bit.

How many people attended the two consultation meetings in Greenock and Dumfries?

Mr McConnell: Approximately 70 at each.

Mr Raffan: How were the invitations extended? How representative were the people who turned up?

Mr McConnell: The invitations were extended to a broad range of local community organisations from the public, private and voluntary sectors, with a view to getting people along who already perhaps had an interest and a degree of knowledge about the budget.

To some extent, it was an invitation to be plagued by questions, comments and vested interests. In fact, the meetings have gone very well, and people have not always stuck to their own particular interest, but have commented more generally. We took the view that that would be a way of generating an informed audience, but one which also had something to say.

Mr Raffan: Something that you will probably agree with is the Stirling assembly, which I think is a great innovation. Its meeting on the budget was attended probably by 150 representatives of community councils, the voluntary sector and several MSPs, including me, Richard Simpson and Sylvia Jackson. I think that the same format should be suggested to local authorities throughout Scotland. Stirling is innovative in that regard. I learned a lot about that council's budget and about the points of concern there.

The timetable is tight, and we are out of kilter with Westminster, which is a problem. I do not want to go into that matter, but the earlier we can get the information, the better. Because of the timetable, it is absolutely crucial that the document is accessible and contains robust information. I do not want to go through the details of committee stuff. You have not seen it, and it would be unfair—and I am always fair. The point is that it has been necessary for committees to correspond with you to get extra information, which you were happy to provide. If it had been available at the start, however, the delay of having to write to you would not have happened. That would make it easier for committees, at a time of year when they are under great pressure. It is crucial, therefore, that the information is all included.

The actual document was too slim, and not substantial enough. Both were too slim, in fact. Like Elaine Thomson, I have bees in my bonnet, but what can we do? We have covered underspends, and you know, minister, that we need the real-term figures—I sound like a broken record. We need to address the underspend issue, because if money is carried forward, it is difficult for us to know what the baseline is.

All that has affected what the committees have said: they feel that they cannot reallocate expenditure because they do not have sufficiently robust information.

Mr McConnell: I hear what you say, Mr Raffan. I have picked up some of what has been said in the committees. I am happy to examine the provision of additional information in detail. That will be easier to anticipate next year, as a result of the requests which have come from the committees this year. My only plea is that, before we commit to a style of document or level of information for next year, we do not get bogged down in the search for greater detail in this process, as opposed to an MSP's on-going work such as going to the library, asking parliamentary questions, covering matters of interest, probing, challenging and finding areas that they want to push in a committee.

Mr Raffan: That is the whole point. If there is an index and the information is well presented, no one will get bogged down.

Mr McConnell: I understand your point about the clarity of the document and people's ability to access the required information. That might mean a less slim document. On the other hand, members would not necessarily appreciate sitting with a huge document that contains too much information. Although such a document will be appropriate at a certain point in the year, this part of the process is meant to be the strategic overview. I am very happy to discuss improvements to that.

Mr Raffan: As far as I am concerned, if there is a good index that allows me to access information, I would rather have all the detail. No one is going to read through the damn thing; people are going to look for certain information in it. The main requirement is that such information should be readily accessible.

I want to raise several important points. We have covered salaries in local government. When I asked the First Minister about ring-fencing at First Minister's question time, he said that it accounted for a tiny amount of the local government budget. Afterwards, a minister told me that it accounted for about 10 per cent. That is a cause for concern.

Secondly, because a lower share of the assigned budget will go to local government, there will be an impact on the voluntary sector. Local government is one of the primary supporters, along with the lottery, of that sector.

Finally, and most important, there is the whole question of cross-cutting issues such as drugs and the difficulty of finding out what the Scottish Executive is spending on treatment and rehabilitation. There is a cross-cutting ministerial committee; however, such a cross-cutting approach is at the Executive level and has not reached the ground yet. I am currently on an inquiry into drugs, and we do not have an overview on the total amount that has been spent. What will you do to help us with that problem?

Mr McConnell: On local government, we have undertaken a review of the system with COSLA, and we are working hard to improve the system for next year. For example, focusing on outcomes might be a better way of identifying expenditure on the voluntary sector. You said that ring fencing accounts for 10 per cent of the budget. Local government colleagues make the key point that there are other ways in which the budget, in effect, influences them to ring-fence specific areas. It would help if we could change that approach and still deliver what we all want. If we were able to build a three-year budget plan for local authorities within that new approach, they could give a measure of stability to voluntary groups through grants. That would be a good thing and would address some of your points.

Although we make no promises on making progress on local government finance, we hope that progress will be made, because—as Keith Raffan and I have both stated—the status quo will not be acceptable for next year.

On issues that concern committees, there will be a relationship between what happens at this point in the financial year and what happens throughout the year. Drugs provides a good example of that; a committee will be able to examine that issue in some detail during the year and accumulate information on finance and other aspects of service delivery. At this time of year, the committee will be able to feed that accumulated knowledge into the budget process.

That is part of the reason for our having these difficult discussions now: the committees are still accumulating that knowledge and experience. As the years go by, once the committees have developed their direction for what they regard as major priorities for a change in emphasis or strategy, they will have an opportunity at this point in the year to influence the budget on something that they debated back in November and on which they produced a report. That is the way that it should be done, in my opinion. I hope that the discussions between the committees and ministers about the drugs strategy and about funding to tackle drugs will continue and will feed into our decisions.

12:30

I am determined, as part of our spending review over the summer, to get a handle on drugs spending and to use that as a good example of cross-cutting budgets that maximise the value that we get from our expenditure. At the public consultation in Greenock last night, the point was made very clearly by a woman who gave that very example. She mentioned how spending from different departments and agencies can have an impact on the problem of drugs, and how, by tweaking spending, we might deal with the problem in a slightly better way.

Mr Raffan: I want to mention certain things that do not seem to be open to scrutiny, or that try to resist it. An example is the Scottish Prison Service, with which I have had problems. I would be happy to discuss that with you when you are wearing your ministerial hat for ensuring openness.

My next point concerns getting some information from the drug action teams, and my last point is that the Executive seems to be feeding money to the SIPs for tackling drugs, but that the DATs are not aware of that. There must be co-ordination to avoid duplication, and to ensure that money is not being wasted.

Mr McConnell: I hear what Mr Raffan is saying on that, but I am not completely up to date with all the details of the various budgetary arrangements. Members and ministers have made the point that we need to co-ordinate drugs spending and our drugs strategy. I believe that the work that is under way will lead us in that direction.

Dr Simpson: It is a measure of the momentum we are generating that, while people are welcoming "Investing in You" and recognising the added value that it has given, there is a desire to move on. You have recognised that, minister. Part of that desire is to try to get long-term aims, such as the global strategy that the UK Government has discussed for tackling child poverty, expressed with a time frame.

We thought it appropriate to have a period of 10 to 25 years for some health-related matters; other budgets may have slightly longer or shorter time frames. It is then a matter of considering the intermediate objectives, for example in the comprehensive spending review, or, in the case of health, the health improvement programmes and trust implementation plans, which are five-year projects, and relating the budget—the bit that we are discussing now—to the targets for this year.

A number of committees expressed concern that the targets sometimes related to things that had been completed before this budget process started. Some other things took place in the course of the year, and others happened later. In the same context, we needed to get good baseline data—as up to date as possible—on those elements in order to understand that.

I would be interested to hear your comments, minister, about those points on the general structure.

Mr McConnell: The objectives and targets in "Investing in You" were, to some extent, an effort to relate the budget to overall objectives. That aspect of the document needs to be improved upon, with regard not just to specific content and sets of targets, but to consistency across the various chapters, in which different targets were expressed in different ways, and in which different bodies were either included or excluded.

I am keen to improve that aspect of the document, and perhaps the current spending review will give us an opportunity to do that. I hope that, in our spending plans for the next three years, we will relate our plans to the programme for government and to other clear sets of targets. We would then find a way of explaining that, in whatever documentation we produce this time next year. That would give the committees a better opportunity to fit the budget to strategic targets and to see whether we had carried out our plans.

The point is well made. Not only do we accept

that, but the finance team—the department and myself, as Minister for Finance—want to work towards improving that part of the process and to expressing more clearly the relationship between targets and budgets.

Dr Simpson: My second point is linked to that, and concerns the point that was raised about real terms and cash terms. To some extent, that issue is insoluble, but nevertheless, many of the committees share a desire to try to get a little closer to the judgments that departments are making. That would allow us to demonstrate to the public your point that there are significant real-term increases in some budgets. It is quite difficult to get a feel for that if only a general inflator, or general deflator, is applied; information about the specific angle that has been taken, on what is a complex matter within each departmental budget, would make that less difficult.

Mr McConnell: I recognise the point that Richard Simpson is making. However, we face a conflict between publishing those figures that would appear in a budget bill, which are about authority to spend, and the more informative figures, or explanations, that might go into issues in a little more depth. The difficulty lies in getting the balance right. We have a duty and an obligation to publish the actual figures, but—whether during this process, at another time of the year, or by giving specific examples from time to time about the important issues of the day—we must find a way of debating and discussing an issue on the basis of the most accurate information. That is part of the learning process of how best to approach this issue.

Dr Simpson: I welcome that approach, which could form part of the discussions between you and the conveners, as you suggested. It would provide a partial resolution to the situation—I do not think we will ever achieve a complete resolution.

Mr Kenneth Macintosh (Eastwood) (Lab): I will follow on from the point that Richard Simpson just made. Although you have not seen the committee reports, one of the broad themes to emerge from them was the lack of presentational coherence that Andrew Wilson mentioned.

Another source of concern for members of all committees is the problem of aims and objectives. The picture that emerges is of a desire for a document that is stronger on accounting for money, rather than one that helps us to measure progress towards our strategic goals. That point also emerged during our inquiry into the finance functions of the Scottish Executive, in relation to your specific role and that of your department.

Could you take a stronger role in setting the aims and objectives, or at least in trying to make

the different departments align their aims and objectives? That would allow us to move towards a situation where we could see whether the money in the health budget that is spent on our social justice agenda would be better spent on local government or education. Could you develop that approach? I know that we are at an early stage, but if we are to make the aims and objectives robust, someone must take an overview. Are you ready to do that?

Mr McConnell: The slight difficulty with that suggestion is that we might reinvent the wheel. We developed the programme for government last autumn and I expect that at some stage, either annually or whenever, that document may be used to report on progress—it may even be updated. To some extent, that document provides a different focus for the aims, objectives and targets. We also have the social justice action plan and the social justice report, which is committed to an annual report of the progress that has been made towards its aims and objectives. Then we have the financial documents—no doubt, there are a few other documents around the place as well.

If anything, the First Minister has ultimate responsibility for such an overview and for ensuring that all the aims, objectives and targets are pointed in the same direction and match one another. He also has responsibility for the programme for government and for the policy unit, which, at an administrative level, is responsible for co-ordinating that activity. The First Minister would be clear about that.

We must ensure that the work that we do in producing budgets matches those overall priorities. We must try to fit the aims and objectives that are expressed elsewhere, and the way in which they are measured annually, to the budgets that we agree. We could have done that better in this document; that is one of the things that we want to work on. I am happy to make a contribution to that process without duplicating the work that is done by others.

Mr Davidson: I have several points to make. First, you seem to take a schizophrenic approach to contingency funds in your letter of 12 June. Can you expand on the comments in that letter? We will have those funds, but they will not be de facto ones.

Secondly, what is your view of the relative impact of the public consultation? How much will it affect the budget? I do not think you will receive enough input to make it significant.

My third point concerns the apparent weakness in the relationship between objectives and targets. It would be extremely useful if the finance department could produce regularly updated and available deflators for the different activities in the

public sector.

Mr McConnell: The point that we were making about the contingency fund is that it is good policy not to commit all the end-year flexibility money to the individual departments in which it is generated. That gives us a central resource that can be used for contingencies. There is no attempt to create some sort of secret fund that would be hidden away.

Much end-year flexibility will come as a result of the phasing of expenditure, but end-year moneys will also become available because certain planned items of expenditure have not gone ahead or because costs in a certain area have dropped. We must find a way of accumulating that money and using it to meet the objectives and targets that we are talking about. That is the purpose of the 75:25 split. We will review that annually, to determine whether it is working in practice, and that will be the subject of any information that we provide to the committee.

What was the other issue?

Mr Davidson: The importance of the consultation and its possible effect on your position.

Mr McConnell: The importance of the consultation is taken for granted. We would not make the efforts that we are making if we did not take the consultation seriously. Its impact will depend on the strength of the views that are consistently expressed and on whether they can be matched in budgets and the decisions that are made by ministers and the Parliament. I am keen to report back on the views that have been expressed, to find out how they match the priorities that we set. I suspect that trends will be reflected in different meetings and in the responses that we receive.

I do not doubt that we will receive many responses that are simply bids for money in areas of immediate concern to the respondents. However, we will also receive genuine responses concerning how people feel about the way in which we are spending public money in Scotland and our priorities. If that helps to educate us and to inform our decisions, that can only be a good thing.

Mr Davidson: My third question concerned whether you will consider the regular publication of actual deflators for different sectors of spend in public services.

Mr McConnell: We have a consistent and accepted pattern for calculating such things, although I understand that individual committees may want to consider the cost impact of certain services. I hope that the Parliament's committees will examine areas in which costs are decreasing

as well as those in which costs might be increasing at different rates, and identify potential funding sources for us as well as the resources that are required. Rather than our taking an approach across the board, the best approach would be for committees that want to consider this matter in detail to start the process off by considering it in relation to individual instances.

We must be careful to ensure that the Scottish Executive finance department does not end up spending all its time providing such information instead of doing the sort of work that members have said is important, which involves looking internally as well as providing external information. We should also ensure that we do not provide so much detail that we confuse people. We must learn from experience. It might be helpful if the committees that have particular interest in such calculation took an interest in that over a sustained period. We would learn from that experience whether that would work elsewhere.

12:45

The Convener: Thank you, minister, for contributing to a marathon session of almost three hours. If it has seemed like a long time to you, you should know that we have been here since 9 o'clock and will come back at 4.30 this afternoon. We are aware that this is the morning on which the cabinet meets, so your presence is particularly appreciated; it has been an important part of the process.

We will present the formal report to Parliament on 28 June, but we have also decided to produce a report on the budget process, including our comments and those of other committees, which we will publish in the autumn. We would like to include in that report the results of your public consultation. Could we have those in due course, so that we can feed them into the report and get the full benefit of the first year of the process?

Mr McConnell: Yes.

The Convener: Thank you for your attendance and for answering our questions so fully.

Regulation of Investigatory Powers (Scotland) Bill

The Convener: I remind members that we have one further topic to deal with; I hope that we can deal with it swiftly. It is the consideration of a financial resolution for the Regulation of Investigatory Powers (Scotland) Bill. I refer members to page 17 of the explanatory notes. It does not appear that the bill will require huge spending powers. Paragraphs 112 and 113 show that the main costs will be associated with the oversight and complaints functions. The costs associated with the oversight function are reckoned to be about £30,000; the costs associated with the complaints tribunal will be about £100,000 in the UK, of which £33,000 will fall on the Scottish Administration. There will be minimal costs for local authorities. We have to decide whether a financial resolution is required for the bill.

Elaine Thomson: I have a question, although I am not sure that anyone will be able to answer it. I admit that I have not examined this matter in depth, but I think that the legislation covers tapping of e-mail. Is that a devolved matter?

The Convener: No. It is a reserved power—all that sort of spookery is the responsibility of Westminster.

Andrew Wilson: So spookery is specifically mentioned in schedule 4 of the Scotland Act 1998.

The Convener: If it is not, it should be. I will be suspicious if it is not.

Mr Raffan: At the risk of making myself unpopular by prolonging the meeting, I have a question. The financial memorandum mentions the complaints tribunal, but the bill says that Scottish ministers shall

"pay to the Commissioners such amounts as the Scottish Ministers consider appropriate;"

and

"provide the Commissioners with such staff as the Scottish Ministers consider necessary."

There does not appear to be any reference to that in the memorandum. Paragraph 107 says that

"expenditure will be for the Commissioners and the tribunal",

but it gives no amounts. The commissioners and the tribunal are two different things. I would be happy for someone to come back to us on that point.

The Convener: This has to be dealt with today, as it goes to Parliament tomorrow.

Mr Raffan: Pages 12 and 13 of the explanatory notes refer to the functions of the chief surveillance commissioner. That seems to be separate from the tribunal, but we do not have figures for the commissioner.

The Convener: Perhaps that question can be put to the minister in the debate. Meanwhile, I would be obliged if we could confirm that the Regulation of Investigatory Powers (Scotland) Bill requires a financial resolution. Is that agreed?

Members *indicated agreement.*

The Convener: Thank you for your forbearance in the committee's longest meeting so far. We will resume in this room at 4.30, although I understand that not all members can attend.

12:50

Meeting adjourned until 16.37 and continued in private until 17.27.

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