

# **FINANCE COMMITTEE**

Tuesday 5 September 2000  
*(Morning)*

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## FINANCE COMMITTEE 20<sup>th</sup> Meeting 2000, Session 1

### CONVENER

\*Mike Watson (Glasgow Cathcart) (Lab)

### DEPUTY CONVENER

\*Elaine Thomson (Aberdeen North) (Lab)

### COMMITTEE MEMBERS

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

Rhoda Grant (Highlands and Islands) (Lab)

\*Mr Adam Ingram (South of Scotland) (SNP)

George Lyon (Argyll and Bute) (LD)

\*Mr Kenneth Macintosh (Eastwood) (Lab)

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

\*Dr Richard Simpson (Ochil) (Lab)

Mr John Swinney (North Tayside) (SNP)

\*Andrew Wilson (Central Scotland) (SNP)

\*attended

### CLERK TEAM LEADER

Callum Thomson

### SENIOR ASSISTANT CLERK

Anne Peat

### ASSISTANT CLERK

Sean Wixted

### LOCATION

Committee Room 1



## Scottish Parliament

### Finance Committee

*Tuesday 5 September 2000*

*(Morning)*

[THE CONVENER *opened the meeting at 10:05*]

**The Convener (Mike Watson):** Colleagues, I call the meeting to order and welcome you back to business after the summer recess. I make the usual request for members to switch mobile phones off and ensure that pagers buzz—or whatever they do—silently.

I move that item 6 on the agenda be taken in private. Are we agreed?

**Members indicated agreement.**

**The Convener:** Apologies have been received from Rhoda Grant, John Swinney and George Lyon.

### Correspondence

**The Convener:** The first item concerns the budget for the Scottish Parliamentary Corporate Body. A letter from Mr Gilfillan, dated 31 August, has been circulated with the papers that members have received. The revised figures are being discussed at the SPCB's meeting this morning and those figures will be available to the committee at our next meeting. If we agree to what has been suggested, that might not be for two weeks. I understand that officials are not available to give evidence to the committee on that date, so it is suggested that the date on which they will give evidence is 3 October. Are there any comments on that?

**Mr Kenneth Macintosh (Eastwood) (Lab):** I intended to update the committee on the Holyrood project quite soon after the summer recess, possibly at this meeting. However, as the SPCB figures have not been released, I have decided to do so at the committee's next meeting.

I met the Auditor General, whose report is to come out on the same day as our next meeting, on 19 September—at least, he hopes that it will be released then. That will be a substantial report, which will address the management and the reasons for the cost increases in the Holyrood project so far. We should receive that report and digest it before we discuss the matter. I would, therefore, be happy if we returned to the SPCB on 3 October. I might then have something to say about the Holyrood project—I might produce a

paper or something.

**The Convener:** Thanks for that.

**Dr Richard Simpson (Ochil) (Lab):** I take it that members are comfortable with the fact that the budgeting process agreement is not being met this year.

**The Convener:** We will come to that.

**Dr Simpson:** We have failed to receive a provisional calculation of expenditure—but that is probably fair enough this year.

**The Convener:** It is fair to say that we are not comfortable with that situation. The question is whether, in the first year, we are prepared to tolerate it, given the circumstances.

**Mr David Davidson (North-East Scotland) (Con):** I agree. Because of the hiccups in the various projects, which we all experienced last year, the best thing that we can do is accept the situation and give a date by which we must receive the figures. However, we should lay down a proviso that all parts of the parliamentary system must conform to the budget process next year. Otherwise, our job cannot be done efficiently and effectively.

**The Convener:** I am sure that that view is shared by the whole committee.

Do we want to invite the officials and appointed members of the SPCB to our next meeting but one, subject to the agreement of dates?

**Members indicated agreement.**

**The Convener:** The second item on the agenda is similar to the first, and relates to the Scottish Commission for Public Audit. Letters have been received from Patricia Ferguson, the convener of the commission, and from Mr Bill Magee, the secretary of Audit Scotland.

Keith Raffan is a member of the commission. Do you want to comment?

**Mr Keith Raffan (Mid Scotland and Fife) (LD):** Not really. The letter speaks for itself. If colleagues have any questions, I will be happy to try to answer them.

**Mr Davidson:** Do you believe that Audit Scotland can deliver to the budget timetable next year?

**Mr Raffan:** We had problems this year, as members know, because of the gap between the available money and Audit Scotland's supposed requirements—let me rephrase that—and what Audit Scotland believed was required. Audit Scotland provided Robert Black with convincing evidence to suggest that it should receive that money, especially in its initial year.

Unlike other bodies that have undergone notable changes in the past couple of years—the Scottish Qualifications Authority comes to mind—Audit Scotland is being set up methodically and thoroughly. I would hope that it meets its deadlines next year. However, to be fair, it is the organisation's first year—one must give it a bit of latitude.

**The Convener:** Is there anything else on that? Are we agreed that we accept the late arrival of figures for the SCPA for the first year?

**Members** *indicated agreement.*

## Bills (Financial Provisions)

**The Convener:** Members will recall that agenda item 3, on financial provisions in bills, goes back to the committee's decision earlier this year to propose to the Procedures Committee that the standing orders should be revised in respect of the Finance Committee's role. The time scale has slipped a bit further than we would have hoped. It is now likely, given the meeting that is mentioned in the paper that is before members, that standing orders cannot realistically be amended before November. There is not much that we can do, other than note the position. Things are moving, but rather slowly.

**Mr Macintosh:** Are you concerned that we are not represented on the working group? The paper states that

"it was agreed that a working party consisting of parliament and executive officials"—

**The Convener:** Callum Thomson sits on the working group. He is admirably qualified to ensure that the committee's views are represented.

## European Structural Funds

**The Convener:** Item 4 has turned into a bit of a saga. Members will note the letter from Gordon Brown, in response to my second letter on 7 June, which is also attached. It is fairly short and sharp and not very sweet. None the less, it makes the official position clear.

The attached letter from the Secretary of State for Scotland to the Minister for Parliament clarifies the position, particularly in the second paragraph on page 2, which says:

"I did not rule out giving evidence orally to Committees of the Scottish Parliament. I accepted the principle that UK Ministers should be able to attend the devolved legislatures, but I explained that I thought it should be exceptional for them to do so."

In a sense, the door is not closed; it is certainly not locked. However, the exceptional circumstances would have to be established.

The presumption is that ministers would not give evidence to Scottish Parliament committees. That is not what the committee sought. We must evaluate the situation in the light of the responses that we have received and take it from there.

Members will be aware that, although it is not seen as appropriate on this occasion for officials to give evidence, the committee is due to receive written evidence at the end of this week.

**Andrew Wilson (Central Scotland) (SNP):** The way that the issue has unfurled is a matter of extreme regret. It would have been handy to see the memorandum to Tom McCabe in advance of our initial inquiries to the Treasury. In particular, I would be interested to find out whether—

**The Convener:** Let me stop you. In fairness, the letter is dated 22 June, so it could not have been seen in advance of our—

**Andrew Wilson:** I am referring specifically to the guidelines that affect whether ministers attend devolved legislatures. I wish to know, in particular, whether we made the request for ministers to attend in advance of the House of Commons Scottish Affairs Select Committee making the same request on the same topic.

What it boils down to is that we cannot proceed until we receive the information that we seek. Of course it is a reserved matter, but Mr McConnell has said that he is unable to give the committee the information. We cannot proceed until we receive it. If the information comes in written form, that will be better than nothing. However, this approach—to what should be quite a good and informative inquiry—is regrettable.

I hope that the committee will take some

exception to the second last paragraph, where the secretary of state implies that the mechanisms would be used for narrow exploitation. That is absurd, given that this is a serious inquiry from a cross-party committee. A minister of the Crown should not resort to such language in official correspondence—that is unacceptable.

10:15

**Mr Davidson:** I have some sympathy with Mr Wilson, but perhaps I would not use the same language as he did. We ought to write to Dr Reid to ask him to define exactly what he thinks an exceptional case would be, so that we have something upon which to base some form of negotiation.

If our ministers and we are available to the Westminster Parliament and as the UK is, in theory, still a union, there should, within reason, be reciprocal arrangements. The committee's position has not altered. I agree with Andrew Wilson—it is unlikely that anybody will misuse his or her position when someone gives evidence. Many people have given evidence during the past year and that has not happened. The evidence taking has not been partisan. We have listened and have asked sensible cross-party questions. The Finance Committee has a reputation for being reasonable in the way in which it pursues its inquiries. We should ask Dr Reid to explain what he means, and when he or other ministers might come to give evidence.

**The Convener:** We could agree to do that. John Reid is meeting the Presiding Officer today to discuss the issue of officials, rather than ministers, attending. The meeting should have taken place yesterday, which would have enabled the report to be before the committee today. Unfortunately, the meeting had to be postponed until lunch time today. The matter is being addressed, but I take the point that David Davidson and Andrew Wilson made about the letter.

**Mr Raffan:** The letter from the secretary of state is unfortunate. However, a mountain is being made out of the proverbial molehill. As I understand it, our ministers—Wendy Alexander, for example—have appeared before House of Commons select committees. There is no great hoo-ha or debate about that—it just happens. The way to deal with the matter is for ministers to consider each invitation on its merits. The more coming and going there is between Holyrood and Westminster, the better.

Andrew Wilson mentioned the second last paragraph of the letter. I would have thought that political interests might seek to misuse the absence of ministers, rather than their presence. It can work both ways. Not that Andrew Wilson or

David Davidson would do so, but people can exploit the absence of ministers and their unwillingness to let their officials give evidence to committees as much as they can exploit the opposite happening.

**The Convener:** You made a point about considering issues on their merits—which is mentioned in the third paragraph of the letter.

**Mr Raffan:** But the secretary of state goes on to use the word “exceptional”.

**The Convener:** On Scottish Executive ministers giving evidence to the Scottish Affairs Select Committee, I am aware only that the Minister for Communities has done so. I accept the point that we were seeking to establish that there should be a two-way process as and when appropriate and not, by any means, during every inquiry by every committee. That is our recommendation, provided it is handled sensitively.

David Davidson has suggested that we should write to the secretary of state regarding the letter. Can you repeat the points that you think should be highlighted?

**Mr Davidson:** The Secretary of State for Scotland's letter says:

“I explained that I thought it should be exceptional for them to do so.”

I would like him to clarify what he considers would be the exceptional circumstances in which it would be correct for ministers to attend.

**The Convener:** Is it possible to define exceptional circumstances? By definition they are not capable of being defined.

**Mr Davidson:** In which case, do we accept the letter as evidence that the secretary of state will never come before the committee? We have agreed that he is leaving himself open to that argument.

**The Convener:** I am sure that other conveners would agree that when a committee felt that it was appropriate to invite a minister, that would be the same as saying, “These are exceptional circumstances.” It might be that the conveners liaison group—which is about to become a fully fledged committee—could be the conduit for such requests, as it is for travel, research assistance and so on.

**Mr Davidson:** I accept that.

**The Convener:** It could be that the conveners liaison committee would decide whether a situation represents exceptional circumstances. It might, on occasion, decide that it does not. That is a possible route. The suggestion was off the top of my head, but it might be a means of getting out of this.

**Mr Davidson:** Are you offering to do that, Convener?

**The Convener:** I am more than happy to take the suggestion to the conveners liaison group, if that might be a way out of this. The Finance Committee and the European Committee are in this situation now, but it could happen to any other committee.

**Dr Simpson:** The general tenor of the letter confuses two issues. The issue of accountability is not in dispute. The secretary of state is clearly accountable to the UK Parliament and not to the Scottish Parliament, but the idea that he should be assisting the Scottish Parliament in its relationship with the Westminster Parliament is one which, by his actions, he seems to refute. We should continue to press the matter and we should not stand down on this issue.

If devolution is to work and the relationships between the two Parliaments are to be smooth, we should have a clearer explanation of why UK ministers should not attend when the Scottish Parliament requires the input of a minister to understand an issue, which will clearly not happen every day. I do not see that in this letter.

**The Convener:** Given that the letter was from the secretary of state to the Minister for Parliament, does the committee agree that I should have a discussion with the Minister for Parliament? I have no record that there has been any response from him on his view of how the position might be clarified.

**Dr Simpson:** That would be helpful. We should make it clear that there is a difference between accountability and assisting this Parliament in its functions. There is no question of the UK minister being held accountable; we should make that clear.

**Andrew Wilson:** I agree with Dr Simpson.

On the Minister for Parliament, the issue might be for the Presiding Officer, rather than the Government's minister for handling the Executive's programme in Parliament. I am sure that both would be helpful.

On specific circumstances, this is an area in which there is not a clear division between reserved matters and matters that are within our competence. Surely we can make the case that we require co-operation and nothing more than that; that is all that we are after.

**The Convener:** I should clarify that I am going to have a meeting with the Presiding Officer at which I will be briefed on his discussions with the Secretary of State for Scotland. I hope that that meeting will take place this afternoon—I will raise that point with him.

**Elaine Thomson (Aberdeen North) (Lab):**

Richard Simpson is right about the difference between accountability and the Parliaments assisting each other. The presumption should be that the Parliaments will assist each other beneficially and positively.

Am I correct in thinking that, as far as the European inquiry is concerned, not even an official is willing or able to appear before the committee?

**The Convener:** That is my understanding. The European Committee has had written evidence as well and its report is near to completion.

**Mr Raffan:** We have seen the expansion and extension of the work of the joint ministerial committees of the Executive and UK Government ministers. That is not at party level, but at ministerial level. It is a means of co-operation, of assisting each other and of knowing what is going on in both Parliaments. As that is happening at Executive level, I do not see why ministers cannot give the same assistance at parliamentary level. That assistance is important in the early years of Parliament and I hope that ministers would be willing to provide it. Members would not abuse it. As Andrew Wilson said, that assistance is required on issues where there is an element of shared responsibility.

**Mr Macintosh:** In your discussion with David Davidson, you said that you were going to take an issue to the conveners liaison group. Can you clarify what that is?

**The Convener:** It was a suggestion off the top of my head. The conveners liaison group receives requests from committees to travel and for funding for that and for research assistance, such as special advisers and so on. It is already a conduit for such requests and I thought that it might do the same in relation to committees that want to invite a UK Government minister to give evidence. It would, in effect, act as a sieve; a committee would have to establish for the conveners liaison group that a matter was exceptional and that it was necessary for a minister to be there. That is an idea that I have had; I will have to discuss it with other conveners. We meet next week and I will seek to have that matter put on the agenda.

**Mr Macintosh:** The other issue is on the point that Dr Simpson made. John Reid, the secretary of state, says explicitly that he is not ruling out ministers or even himself coming to give evidence. The guidance that exists, which he quotes in the letter, does not include a way of resolving the matter when his interpretation of the facts relating to why he should come is different from ours. Perhaps we could clarify that. If ministers are invited to appear and do not wish to do so, they should have to state their reasons explicitly. I do not think that there should be any force involved



as this is about partnership working, but reasons should be given why ministers do not want to appear in a specific case and why it is more appropriate for written evidence to be given or for civil servants to give evidence in their stead.

**The Convener:** That was part of our concern. We had Treasury officials at a previous inquiry, so there is no presumption that they will not appear. It seems odd that we could not at least hear from civil servants on this occasion, so I take your point.

**Dr Simpson:** It is equally incumbent on us to demonstrate that we do not want a minister to appear merely because we would like to have them at a meeting. We must be clear about why we have asked them and we must be precise about the terms on which we are asking them to attend. If one wishes to use the current situation as an example, the reason why we want the minister to appear is on the bottom of page 2 of the note by the Scotland Office. It is that the legal requirement with respect to expenditure plans

“does not apply to regions/nations within Member States.”

Therefore we have no legal protection in that regard. That is one of the issues that we must consider. If the same rules applied to the UK Parliament as to the Scottish Parliament, the understanding of the additionality problem would be a lot easier. However, the rules do not apply to us legally and are, therefore, subject to interpretation by the UK Parliament. There is a precise reason why we want the secretary of state to come: in order to explore that matter with him.

**Mr Davidson:** I accept what Dr Simpson said. The conveners liaison group is the correct vehicle for the committee structure of the Parliament to deal with such issues. It might be that other committee conveners hold a view on behalf of their committees. The conveners liaison group would be a good forum at which to discuss the problem. I am not suggesting that you, convener, go to the meeting with a letter of complaint. I want you to raise this issue so that we can get it aired and come to a reasonable, balanced view across the parliamentary committee system about how to deal with the problem. As has been said rightly by other committee members, the matter will not arise on every issue—it might be more useful to the committee on occasion to have a civil servant come and talk to us about the background to an issue.

If there is a need for clarification on the grey areas where there is an overlap, Dr Reid ought to have a rethink about the way in which he has, in a sense, put us down with his letter. Perhaps he should have an opportunity to explain his case by letter to the conveners liaison group.

**The Convener:** I will take the principle, not this specific case, to the conveners liaison group. If

members agree, I will do that and in the interim speak to the Minister for Parliament and the Presiding Officer. I will be in a position to report back to the committee in two weeks.

Is that agreed?

**Members** *indicated agreement.*

## Budget Process

**The Convener:** Agenda item 5 is on the budget process. Paper F1/00/20/9 is the appropriate one for this matter. It provides an overview.

As members will be aware, the subject committees' stage 2 reports should be with us by the end of October. The aim is to have a debate around the beginning of December, but there has been a further development. When members arrived today, they should have received copies of a letter to me, dated 1 September, from the Minister for Finance. It explains how the comprehensive spending review moneys that apply to Scotland will be slotted into the process.

10:30

Members will be aware that the Minister for Finance is to make his announcement to the Parliament on 20 September. Given that committees will not receive the details of that announcement, which they will have to slot into their considerations, before 20 September, it may be difficult for them to meet the deadline of the end of October.

This issue affects not just this committee but the budget process as a whole, because a similar situation will arise every two years. Callum, will CSR announcements normally be made at the same time as they were made this year—at the beginning of July?

**Callum Thomson (Clerk Team Leader):** The past two comprehensive reviews have been announced in the summer, around July.

**The Convener:** If that is the case, the CSR will always have an impact on stage 2 of our budget process. We need to give some consideration to that and to how it will affect us. We have a year to get through the process, but it is neatly divided into segments. That means that if part of it slips it is extremely difficult to pick up the lost time. Have members had an opportunity to read the letter? Perhaps I should allow you to do so, because it is almost three pages long.

**Andrew Wilson:** Timing was an issue that we discussed in February. This is a problem that is going to arise all the time and I cannot see a solution to it, given the fact that the cycles of the two Parliaments are different. The UK budget comes out a month or so after our budget and alters it. Then, just as we are getting stuck into the committee stage, we have the CSR once every two years. That throws everything out of sync and renders our initial inquiry work, although not entirely worthless, less useful than it otherwise could have been. It is difficult for us to come up

with a solution off the top of our heads.

**The Convener:** We do not have to do that here; we can use our autumn review of the budget process to consider the problem.

**Andrew Wilson:** It needs detailed consideration.

**The Convener:** I agree with Andrew Wilson that it is difficult to think of a solution because of the tightness of the timetable.

**Dr Simpson:** You are right to say that this will be an on-going problem. For that reason we must deal with it as part of the process; we cannot just say that it is happening this year but is unlikely to happen again, because it may well happen again.

It seems to me that our work has not been undermined, to the extent that in our previous report we concentrated on process. That was absolutely crucial. However, we will have to say to the Executive that in future budget processes, apart from presenting the budget to us, it should indicate on a departmental basis any additional priorities that it might have, were additional money to become available. That would allow us to examine the situation. It would also begin to address unidentified need.

If we are really in an open process, we must recognise that there will always be unidentified need. If departments had to indicate their additional priorities, we could avoid the situation that may arise every time there is a comprehensive spending review, with everyone putting forward their favourite little scheme in a rush, so that we can spend the money in the year in which it happens to arrive. That is a major problem, particularly in areas such as health. The result is that unwise expenditure can occur, because things have been rushed. We must recognise that this is an on-going problem and revisit our view of the budget process, so that we can build the CSR into that.

**The Convener:** We can do that in our review.

**Mr Raffan:** Obviously, there is a lack of co-ordination between Westminster and us, which will cause problems. I am not sure that our budget timetable, particularly stages 2 and 3, could not be revised marginally. Clearly there is a difficulty if the minister cannot give us figures to level 2 until 20 September. The autumn recess also gets in the way, as the end of October is not long after that. Instead of having the stage 2 debate at the beginning of December, we may be looking to have it in mid-December or in the week before Christmas. That might be a way of giving the committees extra leeway.

I think that the minister is planning to come back with his final budget, which we cannot amend—we can only propose an entire alternative budget—in

the second week of January. Perhaps we could also look for some leeway there, even if it is only a week or 10 days. I know that that is only tinkering, but it might help a bit. It would certainly relieve the pressure on committees. I am worried about the way in which the committees went about scrutinising the budget this year. Obviously, this was the first year and one cannot expect too much. However, we need all committees to take a much more methodical and uniform approach where possible.

**Andrew Wilson:** Would it be helpful to get an indication from the financial issues advisory group—a sub-group of the consultative steering group that played an influential part in this process—of what consideration it gave to the UK cycle? At the time its report was published, I, along with others, said that the group did not appear to have considered the issue. It would be interesting to hear the views of FIAG members, given that they thought up the budget process.

**The Convener:** Do you mean that we should examine the FIAG report to see whether this issue is mentioned? That group does not exist any more.

**Andrew Wilson:** I know, but former members of FIAG could be approached for their views on the matter. I understand that the group is no longer formally constituted, but there is no reason why we should not approach former members.

**Mr Raffan:** I am very supportive of that idea. We may want at the same time to put a number of other questions to them, based on our initial experience.

**The Convener:** We could make that part of our autumn review. We can come back to that in a minute.

**Mr Davidson:** Keith Raffan has suggested that all we may need to do is put things back by two weeks. However, as Richard Simpson said, there is a requirement on the Executive to be rather clearer about what it is doing at different levels. As well as dealing with the timetable, we will need its input to assist us in coming to a view about what we need. I have scanned the minister's letter, and I presume that it offers us a meeting.

**The Convener:** A briefing.

**Mr Davidson:** I recommend that you meet him on behalf of the committee and report back to our next meeting on how he thinks that he can assist the process.

**The Convener:** I did not read that part of the letter as meaning that I should have a meeting with the minister, but that the committee should receive a briefing. We should seek to enable all members to participate in that, as it would be helpful.

To respond to Keith Raffan's point, this is not simply about finding two weeks. Members will recall that many, if not all, of the subject committees were uneasy about the difficulty that they faced in fitting stage 1 consideration of the budget into their schedule. They will have begun to examine their schedule for the autumn and will have put time aside late this month and in October for stage 2 consideration. We cannot simply ask them whether they can allow it to run on into November, because that will have an impact on their inquiries and any legislation that they are required to scrutinise. We could decide today to put things back by two weeks, but that would have an impact on the other committees. I suspect that that would not be popular. We must bear in mind the knock-on effects of anything that we recommend.

**Mr Raffan:** Convener, you misunderstood me. I am trying to give the committees more time and flexibility—whether they take advantage of that is up to them. At the moment I do not think that there is a problem with stage 1. Committees may have encountered difficulties because this was the first time that they had experienced the process and because they had not prepared far enough in advance to scrutinise the budget. They will be in a better position next year. I am trying to give them more flexibility, not less.

**The Convener:** I accept that. The point that I am making is that they may not have that flexibility in their work programmes for November onwards, which they may already have set. I do not have information on that, but I suspect that that is the position.

**Mr Davidson:** I recall suggesting during the past year that we should divide our labours to assist the committees. The committee decided that that was not the way to go, but we may have to review that. We may have to meet the committees to assist them with the process. Perhaps you could discuss that with the other committee conveners.

**The Convener:** Yes. [*Interruption.*] I am being reminded that a paper on the budget process will be put before the conveners liaison committee next week, and these points could be fed into that paper.

I do not think that we can do anything else at the moment about the timing, with which the committees and we are stuck. We must consider this problem for the future, to try to find some way out of it, although I agree with Andrew Wilson that that will be difficult. Perhaps Callum Thomson could ask the other clerks what flexibility exists and how rigid the committees' work programmes are.

We may well divide the committee into groups when considering the budget process and subject

committees. The paper that has been sent to members also suggested that approach for our autumn review. The four groups suggested are listed at the top of page 3, and members will note that the paper also suggests a new approach that Callum Thomson and I discussed last week. The first three subjects should be dealt with during the first part of the process, from the end of this month until the beginning of November. Thereafter, we would move into part 4—rather than stage 4, which is an unfortunate term—because we would then benefit from the committees' views about stage 2 of the budget process. Do members have comments on those proposals, which seem to be a sensible way of dividing the work and maximising our effectiveness?

**Mr Raffan:** I would like some elaboration of the four soundbite headings.

**The Convener:** The style of the paper came from the comments that we made in our report.

**Mr Raffan:** I am clear about that.

**The Convener:** The aims and objectives arose from how the proposals contained in the departmental reports met the stated departmental aims and objectives. The committees commented on those issues during stage 1 and the figures are an evaluation of how those issues stood up. On figures, we will consider real terms, current spending versus capital spending and resource account budgeting, on which the Minister for Finance offers us a briefing in his letter of 1 September.

**Mr Macintosh:** The last point in the minister's letter is about end-year flexibility, and he asks for the committee's view on whether that should be included in the figures. I assumed that we would give that view.

**Mr Raffan:** Why are we discussing the mechanics of the process, which are less of a priority?

**The Convener:** It is proposed that the whole committee will feed in what we receive from the subject committees on their consideration of stage 2 of the process. The paper suggests that the clerks should bring proposals to our next meeting on 19 September, when we will be able to decide which members are interested in particular areas. It would be helpful if members came to the next meeting with an idea in their minds as to who will go where, although we will have to find some balance, as it may not be possible to accommodate everyone's first choice.

**Elaine Thomson:** It is inevitable that these areas are not entirely separate or discrete. Certain aspects of the aims and objectives will impact on the style of our approach. Personally, I have some doubts about the usefulness of the deliberations of

a sub-group of the Finance Committee on style. However, I suppose that it may be possible to produce some general thoughts or guidance for others to use as guidelines.

**Mr Macintosh:** On the presentation of figures, I am not sure whether I understand the point made in Mr McConnell's letter. He says that, in presenting the figures for the current year, he will exclude end-year flexibility. I take it that he is talking about his statement on 20 September.

**The Convener:** Yes.

**Mr Macintosh:** In other words, although I thought that we would consider end-year flexibility properly in our autumn review, the minister wants an answer today, as his statement will be made in about two weeks' time. Am I misreading his letter? He says that he will keep to his 20 September deadline, when he will present level 2 figures and that he will not include end-year flexibility because, apart from anything else, we said that that would cause difficulty. I thought that we would return to that issue in our autumn review, but the minister needs an answer from us today, as we will not meet before then.

10:45

**Andrew Wilson:** On the previous point about end-year flexibility, I struggle to understand why this issue is such a puzzle. It is obvious that we should see outturn versus the spending that is planned for this year. If we do not have last year's outturn figures, we should get an indication of the figures that are being brought forward. It will not be informative if we get information about only the spending that is planned in both years and if end-year flexibility is up in the air. We must have both pieces of information: we need to know what was spent last year and what spending is planned for this year, as well as what was not spent last year and therefore brought forward. I cannot understand why we have such difficulty with that.

**The Convener:** The minister refers to our report on the difficulties with end-year flexibility. Off the top of my head, I cannot remember what we said about that.

**Dr Simpson:** The problem arises from the fact that there is a risk of double counting. It is important that the Executive is able to demonstrate to us precisely what it proposes to use the one-off, end-year flexibility funds for and that it ensures that that flexibility is not subsumed twice within the budget, as that would appear to demonstrate massive growth this year and would deflate figures in future years.

The minister's view that he should exclude end-year flexibility is acceptable, but he should give us a note with his statement of what end-year

flexibility is being used for at level 3 in each department. Therefore, although he will confine himself to level 2 for his statement on 20 September, if practical it would be helpful to receive a level 3 statement for end-year flexibility, which should be separate from the other figures. That will keep the figures precise and will allow a clear understanding of the position.

**Andrew Wilson:** The only downside to that approach is that while it would allow understanding, it would not allow us to see what will be spent this year, as excluding end-year flexibility could mean that up to £300 million or £400 million might not be included in the figures. That does not help us, as we will not be able to see what is being spent in each subject area.

**Dr Simpson:** No. If end-year flexibility is budgeted for separately, with an indication of what it will be spent on and when it is to be spent, we will have that information. The problem is that we will have to deal with this process every year, and it is important that we are able to see what happens with end-year flexibility money.

**Mr Macintosh:** That is a good suggestion. As far as I am aware, not all end-year flexibility money has been allocated yet.

**Dr Simpson:** That is why I would like to know about it.

**Mr Macintosh:** I imagine that the Executive knows the totals now, but within those specific totals it will have information about only some of the end-year flexibility money. For example, there was another health announcement just the other day, but only half the health spending has been announced.

**The Convener:** Richard, are you suggesting that we should ask for that level 3 information to be made available on 20 September?

**Dr Simpson:** We should accept the minister's suggestion that end-year flexibility should be recorded separately, but we should know what it is being used for by now, and we should ask for that information.

**The Convener:** So we should ask for as much information as is available up to 20 September?

**Dr Simpson:** Yes, if that is possible.

**Mr Macintosh:** That is a good point, and is another example of the issue raised by Dr Simpson about end-year flexibility not being used on priorities and being spent on pet projects rather than on mainstream funding.

**Mr Davidson:** I thought that we had gone into this issue during our evidence session with the minister and some of his advisers. The committee asked for a clear statement of the rollovers and targets and for a further report when those

rollovers had been spent. That would have allowed us to know at some point during the following year whether an overrun had not been used and to find out why and whether that money had been diverted to some other priority. I thought that we had asked for that information already, and I got the impression that the minister and his advisers were prepared to consider that request. Perhaps my memory has gone, but I recall that we did ask for that. We were in committee room 2, if I remember rightly.

**The Convener:** Your memory may not have gone; you may be the only one of us with a good memory—I do not know—but judging from the faces around the table, no one else recalls that specific point.

**Mr Raffan:** I do recall it a bit.

**Mr Davidson:** Thank you, Keith.

**Mr Raffan:** I had to rake my memory. Monitoring is one thing, but we certainly do not want to do anything to discourage end-year flexibility or rollovers.

**The Convener:** There is no question of discouraging that—we welcome it—but we want to have the maximum amount of information. The suggestion is that we ask for as much information as is available, separated out. As well as that, there will be the statement on 20 September.

On the autumn review, are members happy for the clerk to come to us with suggestions on 19 September and for us to move forward on that basis?

**Mr Raffan:** I made a point about slippage. You said that we could not do anything about the dates for the committee at the end of October. I think the clerk was going to find out what the position was.

**The Convener:** Callum Thomson will speak to his opposite numbers on the other subject committees to find out whether they have any flexibility within their work programmes and will come back to us at our next meeting.

**Mr Raffan:** That would be helpful.

**Andrew Wilson:** Regarding the memo from Jack McConnell, can we get an informal briefing from Peter Collings's team soon, because there is an awful lot in the document that I need to have explained.

**The Convener:** I was going to leave that until we reach item 6, when we will talk about our future programme.

**Andrew Wilson:** My other question on the memo is on page 2, paragraph 2. Obviously quite a lot of the consequentials arise from comparable expenditure and what we are allowed to apply the multiplier to, which takes us back to the question

of when we will examine the Barnett formula in detail. It would be useful to inquire of the minister to what extent the 70 per cent of transport consequential apply. What is the other 30 per cent? My understanding in this area of dispute has always been that it was down to London Transport, which for some reason was viewed as a UK service, of benefit to people in Caithness as well as to people in Islington, which struck me as odd. It would be useful to have an explanation of whether the 30 per cent is not comparable expenditure in Scotland.

**The Convener:** We can write to the Minister for Finance to ask for clarification of that.

Are there any other comments on the various items that we have considered under agenda item 5? If not, we move to agenda item 6, which, as we agreed at the start of the meeting, will be taken in private.

10:52

*Meeting continued in private until 11:17.*

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