

FINANCE COMMITTEE

Tuesday 3 October 2000
(Morning)

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FINANCE COMMITTEE

23rd 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 ALSO ATTENDED:

Professor Irvine Lapsley (Adviser)

CLERK TEAM LEADER

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Graeme Elliot

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 3 October 2000

(Morning)

[THE CONVENER *opened the meeting at 10:04*]

The Convener (Mike Watson): We are rather light on numbers but we are quorate.

Welcome to today's meeting of the Finance Committee. Please switch off all mobile phones and set pagers to buzz.

I have no apologies for absence but I have had apologies for late arrival from David Davidson and Elaine Thomson, who are on the late-running train from Aberdeen, and from Andrew Wilson.

I offer my congratulations to Adam Ingram on his appointment as Scottish National Party deputy spokesperson on finance. I am sure that his work on the committee and as spokesperson will be mutually beneficial.

I invite the committee to agree to take agenda items 5 and 6 in private. Is that agreed?

Members *indicated agreement.*

European Structural Funds

The Convener: Members will recall that our inquiry into European structural funds has been suspended partly because I was to propose, on behalf of the committee, that the conveners liaison group—which, when it is formally constituted as a parliamentary body, will be renamed the conveners group—should act as a siphon for committee requests for invitations to UK ministers.

I presented a paper to the conveners liaison group last week. The matter was considered but a decision was delayed. Some conveners expressed concern either because they had not seen the proposal beforehand or because they felt that their committees were best placed to decide who should be invited to give evidence and when.

Both points are perfectly fair. A decision was deferred pending inquiries by George Reid, who convenes the group, about establishing protocols between Scottish Parliament committees and Westminster. The matter will be revisited and at this stage I have nothing further to report. Unless members wish to comment, we will move on.

Financial Resolutions

The Convener: Some time ago, we suggested that this committee is not necessarily best placed to consider financial memorandums that accompany bills and report on them to Parliament when a bill contains measures that merit a financial resolution. That matter went to a working group, of which our clerk, Callum Thomson, has been part. The paper before us—FI/00/23/1—outlines the group's recommendations.

The paper does not entirely achieve what the committee sought, which was to be outside the process, but I think that we should feel reasonably comfortable with what is suggested—that we have a general power to consider relevant aspects of bills. That effectively means that we are out of the process unless we want to be part of it, which seems to leave ajar a door that we can push open if we feel the need to do so.

What is proposed is a relatively good position for the committee to be in, provided that we are kept aware of what bills are being introduced. It would be helpful if, as a general measure, the clerks let the committee know when a bill was introduced and provided any comments that they might have. I think that we should be satisfied with that, but I invite comments from members.

Rhoda Grant (Highlands and Islands) (Lab): If the lead committee on a bill believes that there may be implications for the budget, could it refer the matter to us? By what mechanism will we be able to pick up on that? Will the clerk give us a report once the stage 1 report has been completed or will there be some other mechanism?

The Convener: I am happy to let Callum Thomson answer that question. My own view is that, if committees had a duty to notify the Finance Committee of bills on which we should comment, we would remain rather too close to the process. I would prefer any such decision to be ours, but that means that it will be incumbent on the committee—which means the clerk, initially—to ensure that we know what is going through Parliament.

Callum Thomson (Clerk): There may be a timing issue here. Subject committees have traditionally reported back very close to the stage 1 debate. Obviously that would not put this committee in a good position to comment on the budget implication of bills. The working group considered that option and thought it to be unworkable.

The Convener: It is a question of who initiates what Rhoda Grant is suggesting.

Rhoda Grant: I do not have any argument with the paper; my concern is when we would be able

to pick up something that might have an impact on the budget. Stage 1 reports usually follow stage 1 debates quite quickly, so they would not be the best way for us to pick up an issue. Could we ask committees to let us know if they think a bill will have an impact on the budget? Alternatively, should we leave it, see how it goes and come back to it if there is a problem?

The Convener: That may not be a straightforward process, because the proposed change would involve an amendment to standing orders.

Rhoda Grant: I am not suggesting a formal arrangement; it could be done by way of letter.

Mr Kenneth Macintosh (Eastwood) (Lab): I am happy with the word "may" in the clerk's paper, as it gives the committee the option to intervene when we feel the need to. I am not sure what the new process will be. At the moment, if a bill comes before us, we have a formal duty to comment on it. What will be the mechanism by which we decide whether to comment? Will it be for individual members to bring the issue to the committee or for the clerks to mention it in passing? Will we, as at present, get a copy of the bill and have an item on the agenda?

The Convener: The process would not be as formal as that. It will be up to the clerks or a member of the committee who is a member of another committee that is considering a bill to draw the matter to our attention. The onus will probably fall on the clerks to draw our attention to a bill that we should take note of and perhaps consider. That would not preclude Rhoda Grant, for example, who is also a member of the Rural Affairs Committee, from drawing our attention to a bill that she thinks we should consider for reasons that may not have been apparent to the clerks because they are not sufficiently close to it.

Mr Adam Ingram (South of Scotland) (SNP): Surely there is a mechanism already to deal with matters that have an impact on the budget. If a statutory instrument needs to be introduced to change the budget, it will be the committee's responsibility to scrutinise it. We have that backstop, do we not?

The Convener: Yes, we do.

Dr Richard Simpson (Ochil) (Lab): That is almost the point that I was going to make. It seems to me that it will be incumbent on the Minister for Finance to indicate whether there is a requirement to change the budget. If that happens, the committee will have to consider the matter. The other two options that Ken Macintosh spelled out are still open to us. We can still intervene if we feel it appropriate. That is entirely covered in the proposed amendments.

The Convener: That was my feeling, certainly.

Mr Macintosh: I am happy with that. Any changes in the budget will appear on our agenda. When a bill is going through Parliament, however, I am slightly unclear how the process will normally work. Will it always come before us officially or will we have to pick it up in passing, as it were?

The Convener: The latter.

Rhoda Grant: I do not think that the problem arises when it is acknowledged that a bill will have implications for the budget. I was thinking more about a case when there is a disagreement between the Executive and the subject committee on the amount of spending that would be required under a bill. We may have a more important role deciding whether the subject committee is overestimating or the Executive underestimating. We may have more input in that sort of grey area.

The Convener: That brings us back to the time scale between the committee completing its consideration and the stage 1 report being issued.

Rhoda Grant: Perhaps the best way to deal with this would be through the conveners group. You could suggest that, if a committee felt that the financial memorandum for a bill was an underestimate, it could flag it up to this committee at an early stage.

The Convener: I am happy to do that, but it would be more practical if the clerk to the lead committee flagged it up to our clerking team.

Rhoda Grant: We just need a mechanism.

10:15

The Convener: The practicality is that conveners may not remember to follow that procedure, whereas the clerks are more likely to. However, I am happy to put this item on the agenda for the conveners group.

On that basis, can we signify our satisfaction with the working group recommendations?

Members indicated agreement.

Resource Accounting and Budgeting

The Convener: Members have before them FI/00/23/2, a detailed draft remit for the committee's inquiry into resource accounting and budgeting. It has been drawn up in conjunction with Professor Lapsley.

Professor Irvine Lapsley (Adviser): The draft remit follows on from our previous discussions. It tries to capture the key elements of resource accounting, particularly the move to full accrual recognition of assets, and raises issues about how liabilities are recognised. There is also a distinct focus on policy implementation and how we can draw lessons from policy.

Dr Simpson: The last line of the first paragraph refers to

"the whole of the Government accounts".

Should "Government" read "Scottish Executive"?

Professor Lapsley: The whole of the Government accounts will cover everything, including the Scottish Executive and non-departmental public bodies. Some of the accounting is drawn from public corporations, which are quasi-autonomous. I favour the word "Government".

Dr Simpson: I entirely accept that explanation.

The second paragraph mentions

"the accounting ramifications of the shift".

I am not sure that I like the use of the word "ramifications"; it is a nice word, but I wonder whether we should use a phrase such as "the accounting and budgetary effects of the shift".

Professor Lapsley: "Ramifications" suggests that there may be unforeseen consequences or implications. We certainly intended to refer to accounting and budgetary effects.

Dr Simpson: The draft remit says that

"relevant organisations and individuals will be contacted".

Do we want to spell out what organisations we would like to contact initially? We have heard evidence that RAB moves us towards the private sector. It would be interesting to find out how close by looking at some parallel body.

I have suggested that we should also look at the national health service and determine what effect, if any, RAB has had on health policy in Scotland. I want us to lay out the initial stages a little more fully, if Professor Lapsley feels that that is appropriate.

Professor Lapsley: It is entirely appropriate to consider health. It makes a lot of sense to look at the health service's experience of using capital charging and the implications at the top level for financial management and management generally. Much could be gained by engaging with people in the NHS.

You say that RAB would move us closer to the private sector. How close is close?

Dr Simpson: Well, that is the question.

Professor Lapsley: It is still quite a bit away, I think. There are people in the private sector who would not recognise some of the accounting that is being done under the name of RAB. That is not to say that RAB is bad, because it is ahead of some of the developments in private-sector institutions. A halfway house would be to look at the experiences of the privatised utilities. It might not be so helpful to go straight to a major commercial public limited company. Issues of accountability, measurement and the framework for putting the accounts together make the RAB experience quite different.

Another suggestion is to look at how other countries address issues of governmental accounting. That would obviously give the inquiry a wide span.

The Convener: Does the committee agree in principle to appoint an adviser to assist the committee with the inquiry?

Mr Macintosh: Will Professor Lapsley not be our adviser on the inquiry? Are we having an adviser specifically on this issue?

The Convener: We will have to consider that on 24 October, in our first meeting after the recess.

Are we agreed on the remit and that we will have an adviser?

Members indicated agreement.

The Convener: As the draft work programme says, we will not be considering the inquiry until 5 December, so it is not terribly pressing at this stage.

Professor Lapsley: RAB is novel. I suggest that there will be a continuing need to monitor its development. The inquiry is important, but I think that issues will continue to arise as RAB fully beds down.

The Convener: Thank you very much, Professor. We now move into private session to consider agenda items 5 and 6.

10:22

Meeting continued in private until 10:57.

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