

FINANCE COMMITTEE

Tuesday 19 December 2000
(*Morning*)

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CONTENTS

Tuesday 19 December 2000

	Col.
EDUCATION (GRADUATE ENDOWMENT AND STUDENT SUPPORT) (SCOTLAND) (NO 2) BILL	949
EXTERNAL RESEARCH.....	956
BUDGET PROCESS.....	958
FORWARD WORK PROGRAMME	967

FINANCE COMMITTEE

29th 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)

Alex Neil (Central Scotland) (SNP)

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

*Dr Richard Simpson (Ochil) (Lab)

*Andrew Wilson (Central Scotland) (SNP)

*attended

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Graeme Elliot

LOCATION

Chamber

Scottish Parliament

Finance Committee

Tuesday 19 December 2000

(Morning)

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

The Convener (Mike Watson): I welcome everybody to this Finance Committee meeting. As usual, I remind people to switch off mobile phones and pagers. Is it just me, or is the effect of the sound system eerie?

Education (Graduate Endowment and Student Support) (Scotland) (No 2) Bill

The Convener: The agenda has been circulated. There has been a slight change in relation to the papers that were sent to members, which Callum Thomson will explain.

Callum Thomson (Clerk): The bill that was sent to members was, unfortunately, the No 1 bill, not the No 2 bill. I apologise for that error. The main change is that the No 2 bill provides for funding raised by the graduate endowment to go towards the funding of student support. New section 2 says:

"The Scottish Ministers shall, in making budget proposals to the Scottish Parliament, include provision that the income arising from the graduate endowment for the financial year to which the proposals relate be used for the purposes of student support."

The revised policy memorandum and explanatory notes, which include the financial memorandum, are largely unchanged. The only notable difference in the financial memorandum is that the section on the graduate endowment says that an illustrative set of draft regulations on the payment arrangements will be published at stage 2, rather than on the bill's introduction, as the original financial memorandum had said.

The Convener: I take it that everyone has the second version of the bill now. I think that copies were made available this morning.

The changes do not significantly affect our consideration of the financial resolution. The main point is that there is little information in the financial memorandum, which is on pages 5, 6 and 7 of the explanatory notes—there is little that allows us to glean much information or make much of a decision on the financial implications of the policy.

The Enterprise and Lifelong Learning Committee took evidence from the Deputy Minister for Education, Europe and External Affairs, Nicol Stephen, last week. He made it fairly clear that the amount of income that the Scottish Executive would receive from graduate repayments to use for student support could not be guaranteed. I will quote what he said, because it is important. He said:

"It would be wrong to bind future Parliaments, but we wish to ensure that, under section 2, Scottish ministers

'shall, in making budget proposals to the Scottish Parliament, include provision that the income arising from the graduate endowment for the financial year to which the proposals relate be used for the purposes of student support.'

There must be a proposal from Scottish ministers to allocate the moneys in that way; if ministers did not make such a proposal, they would be in breach of the statute. It is then for Parliament to approve or not approve the proposals."—[*Official Report, Enterprise and Lifelong Learning Committee*, 12 December 2000; c 1463.]

That comment is all right, as far as it goes. However, I am concerned because the financial memorandum contains little that will allow us to arrive at a conclusion about what the financial effects of the bill might be.

I have a proposal to make, but I will invite members to comment first. It might be appropriate to ask Elaine Thomson for her comments, as she is a member of the Enterprise and Lifelong Learning Committee. Were you at last week's meeting?

Elaine Thomson (Aberdeen North) (Lab): Unfortunately, I missed the beginning of the meeting last Tuesday morning. That committee has discussed the bill in great depth, particularly some of the financial aspects, but has not really discussed the impact on the overall Scottish budget.

Mr David Davidson (North-East Scotland) (Con): At this stage, it is not our job to comment on the students' costs.

The Convener: Indeed.

Mr Davidson: I have a point that follows from the Nicol Stephen's comment. If a shortfall in income is possible, is it not right to expect the Executive to set out clearly what it expects the total cost to be, against which the graduate tax would be set? That would give a clear idea of the worst scenario for costs as a budget line.

The Convener: As the committee has been asked to comment on the financial memorandum, it is perfectly reasonable for us to expect to receive such information.

Andrew Wilson (Central Scotland) (SNP): We see again the hoary—or rather, thorny—perennial

of the financial memorandum that is not a financial memorandum. It contains nothing that tells us what the graduate endowment will recoup and little that tells us about the associated costs. With the best will in the world, if any member made such a proposal to the Parliament as an alternative to anything, they would be slaughtered for providing such documents. However, at an advanced stage of a bill—not a manifesto or a policy—the Government does not appear to have an estimate of the cost implications.

I find it astonishing that the Executive can introduce such a major bill without knowing the full financial implications for the budget. The financial memorandum cannot be regarded as adequate for such a major piece of legislation. It was fine to have little information for legislation that was minor or had minor financial implications that ran to thousands of pounds, but the bill involves millions of pounds in the budget. I cannot associate myself with an approval of anything connected with the bill or with an attempt to make the financial memorandum seem competent at this stage.

Mr Keith Raffan (Mid Scotland and Fife) (LD): We have been round this course before. The only difference is that, because we do not know how many entrants there will be, there is no way in which the Executive can give an accurate figure—it will vary from year to year. My understanding is that the Executive has several times given an approximate figure, which sticks in my mind, although I had better not say it in case I have got it wrong. The Executive has certainly given an approximate figure, which is all that we can expect in the circumstances. Perhaps the figure should be in the financial memorandum, but it may have been left out because it is so approximate.

The Convener: An approximate figure is what we are looking for. The number of students will vary year on year, but not greatly. It is unreasonable to expect a difference of thousands. The numbers are relatively stable, so I believe that an approximate figure could have been provided in the memorandum.

Elaine Thomson: I think that the Enterprise and Lifelong Learning Committee discussed these issues at its most recent meeting. I am sure that some figures were given for the expected income that would be raised. Obviously, the figure will change over time. At the moment, the figure is an estimate but, as the graduate endowment comes into play, the number will rise. An estimate has been made of the likely number of students in the next few years. Some of the information is available.

The Convener: At the Enterprise and Lifelong Learning Committee's meeting on 12 December, Nicol Stephen said:

"By 2003-04—the final year of the CSR—the scheme will still cost about £50 million. We now believe that full implementation of the scheme"—

that must be in its initial year—

"will cost more than that—around £53 million."—[*Official Report, Enterprise and Lifelong Learning Committee*, 12 December 2000; c 1466.]

Those figures were given in evidence. There are no such figures in the information that we have been given. We should have them.

A broader point is involved. In the past year and a half, we have continually said that we reckon that financial memorandums are short on information. Callum Thomson has reminded me that, when I wrote to the then Minister for Finance to express those views, Jack McConnell said that

"it is vital that financial memoranda are laid out in the clearest possible terms. I have asked officials to look at internal guidance on the preparation of financial memoranda for Executive Bills with a view to improving information on the possible impact on Departments' budgets and I hope this will be helpful."

Although that letter was written more than six months ago, no action has yet been taken. I believe that we must take these matters up with the Minister for Enterprise and Lifelong Learning and her department.

10:15

Mr Davidson: The point is that we must send the memorandum back, as it is invalid. It does not qualify as an adequate document for this committee to work with. We can do nothing with it. If you want someone to move that it be sent back to the minister, I am happy to do so.

The Convener: The committee seems to have decided to send the memorandum back. We seek further information and want to make a general point about financial memorandums. Do not forget that, every time we discuss a matter such as this, we say that we hope that we will not have this responsibility for much longer. However, there is as yet no sign from the Procedures Committee of when the matters might be devolved. While we have responsibility for the matter, we have a responsibility to ensure that the maximum amount of information is available. That is not the case in this instance.

The committee seems to be saying that we should write to the Minister for Enterprise and Lifelong Learning to ask her to ensure that her officials provide further information in a revised financial memorandum that can be submitted to the committee in the new year. I do not think that there are any time constraints—[*Interruption.*] I am informed by the clerk that there must be a stage 1 debate by the end of January. That means that there will be time to deal with the matter when we

return from the festive recess.

Mr Raffan: The explanatory notes say that the graduate endowment for new entrants in the academic year 2001-02 will be £2,000. They then say that, for subsequent entrants,

“the endowment may be index-linked.”

We should ask for that “may be” to be clarified.

Dr Richard Simpson (Ochil) (Lab): The powers to vary that are in the bill.

Mr Raffan: So the notes mean that the endowment may be or may not be varied. I understand.

The Convener: At the moment, we are unable to form an opinion on the financial memorandum because of the inadequacy of the information. Is it agreed that we should write in the terms that I outlined seeking further information with a view to dealing with the matter at one of our meetings in January?

Mr Davidson: I thought that you said that, rather than simply having additional information cobbled together and made available, you would like the document to be revised. We want the document to be rewritten, do we not?

The Convener: If we get additional information, it will be in the form of evidence from officials, I would think. I am not sure of the technicalities involved in having the memorandum withdrawn, rewritten and resubmitted.

Mr Davidson: My query was to do with whether the financial memorandum was valid. I do not think that it is, but I would take advice on that. We need to stress that the memorandum must be given to us in the correct manner.

Elaine Thomson: While we are all agreed that financial memorandums can be improved, I must point out that the layout of this one is no different from those that we have seen with other bills. I agree that we should ask for more information on the bill and its costs and remind the minister of the letter that we wrote to Jack McConnell, but I see no reason for suggesting that the financial memorandum should be changed.

The Convener: I am looking through the standing orders. Rule 9.3.2 says:

“A Bill shall on introduction be accompanied by a Financial Memorandum which shall set out the best estimates of the administrative, compliance and other costs to which the provisions of the Bill would give rise”.

The Executive might reply that the financial memorandum contains its best estimates, but our point would be that the financial memorandum does not allow us to make an informed decision. I am not suggesting that the memorandum be rewritten. It needs to impart greater information,

which is what we are seeking.

Andrew Wilson: Since the first time that we were presented with a financial memorandum, we have been saying that the information that we are receiving is inadequate. In every case so far we have said that that was not important because the sums were so paltry. This bill, however, is a major piece of legislation and represents a major financial commitment. This is, if you like, the doomsday scenario that we predicted when we first saw a financial memorandum.

The Convener: This financial memorandum is a serious example of the problem.

Andrew Wilson: Exactly.

Dr Simpson: I agree with what Andrew Wilson has said. The only way that I would support the memorandum would be if the minister's comments to the Enterprise and Lifelong Learning Committee were appended to it and if those comments were sufficiently clear. If that had been done, I would be reasonably comfortable about the matter. If it is not done, the financial memorandum will be wholly inadequate.

The Convener: I agree with that. Our clerks have provided me with an extract from the *Official Report* of last week's Enterprise and Lifelong Learning Committee. The information has not been presented to this committee, but we have managed to elicit it. However, that is not the way in which the business should be conducted. If the information is presented to us, we may be able to give the financial memorandum a stamp of approval.

Mr Raffan: It is important to stress that we have had to elicit the information, as it has not been presented to us formally. I totally disagree with Elaine Thomson. Given the amount of money involved and the fact that the minister was prepared to give a figure to another committee as part of his oral evidence, the figure should have been included in the document. We should send the financial memorandum back, particularly as there is no immediate rush. That will make our point emphatically.

Mr Kenneth Macintosh (Eastwood) (Lab): I endorse what other members are saying. The information seems to be available and I do not see why it is not in the document.

On students who have graduated and may be eligible to pay, paragraph 27 of the explanatory notes says:

“It is being assumed, however, that any additional cost will be marginal.”

I would like to know a little more about that. The information does not necessarily have to be in the financial memorandum. Information about the rate

of failure of students to pay loans must be available. I would like to know whether "marginal" means 1 per cent, 10 per cent or something else and on what basis the assumption is being made.

The Convener: Are you suggesting that the basis is the way in which student loans have operated?

Mr Macintosh: Yes. We should know what the devolved rate is.

Elaine Thomson: Some of that information has been presented to the Enterprise and Lifelong Learning Committee, which has requested additional information on the point that Mr Macintosh raises.

The Convener: The clerks will check with the clerks of the Enterprise and Lifelong Learning Committee and circulate the information.

Are we agreed that we should write to the Minister for Enterprise and Lifelong Learning and proceed when we have further information, which will be at our first or second meeting in January?

Members *indicated agreement.*

External Research

The Convener: The deputy convener had a meeting with Professor Arthur Midwinter last week and will give us an update.

Elaine Thomson: Last week, Anne Peat—the senior assistant clerk—and I, with Murray McVicar and Connie Smith from the Scottish Parliament information centre, met Arthur Midwinter, who advised us of his progress. He is doing research on the creation of a mechanism for gauging the real inflation across expenditure programmes and on what scope there is for shifting expenditure between the budget headings.

He advised us that the research is going well and that the field work and data analysis for part 1, which is to find out whether it is feasible to establish a mechanism for gauging real inflation, is complete. He said that there was much interest in his work from various people in various areas. He thinks that he will have finished the final draft report of part 1 by Friday 22 December, although he had hoped to have it with us for today. His work has been slightly delayed due to the illness of one of the researchers. We will get copies of the final draft report of part 1 in the first week of January. I believe that the report will be around 5,000 words but will contain an executive summary. Professor Midwinter will be able to attend the committee in January to present his key findings, which we will all find extremely interesting. I believe that that has been provisionally scheduled for 16 January.

Only one interview remains to be done in relation to part 2 of the research, which concerns the scope for shifting expenditure between budget headings. The second part of the research should be completed by the end of February.

The Convener: We will have the report in advance of our meeting. If it is 5,000 words long, it is important that we have a chance to read it so that we can ask meaningful questions. We look forward to receiving it.

Andrew Wilson: Are there any findings yet?

Elaine Thomson: I would rather not go into that today. The report will be interesting and we would be better to leave discussion of the matters that it deals with until January.

Andrew Wilson: Will there be a further report back on the progress that has been made?

Elaine Thomson: Professor Midwinter's findings will interest us when we read them but, in some areas, they are not quite what we expected them to be. We should wait until we have the final draft report so that we can read it at our leisure and discuss it at length.

The Convener: That is fair enough. We have asked Professor Midwinter to prepare a report, not an interim report. It is reasonable for us to wait until the report is completed. The matter will be on the agenda of our first meeting after the recess, which is on 16 January.

Budget Process

The Convener: The third item on today's agenda is the minister's response to the stage 2 budget report. Members will be aware that the response was made available on the morning of our debate in the Parliament last week. I saw it for the first time only half an hour before the debate started and so was able to make reference only to one of the items in it in my opening remarks. Because the minister has responded to each of the recommendations, it would be useful if we were to go through them in order. Andrew Wilson has indicated that he wants to deal with the question of the reserve. We will deal with that in due course.

Mr Raffan: I want to deal with the responses to recommendations 1, 2 and 3 together. There is no straightforward solution to the problem of the unavailability of level III figures every second year, when there is a comprehensive spending review. The minister says that he will consider how the process can be improved in future years. The problem is to do with both this committee and the minister. This is a matter of some urgency as, to put it dramatically, the process might break down. The process is not working at the moment and will not work in the second years of any comprehensive spending review, when the level III figures will not be available. The financial issues advisory group did not anticipate that.

Dr Simpson: That is clearly the case. We must reach an agreement with the Executive on how it is to present the figures. One possibility is that we should invite the Executive to present level III figures on the basis of the available figures prior to the comprehensive spending review and view them as a budget variation.

We are obliged at stage 3 to accept the budget as a whole or to reject it as a whole—we are not allowed to amend it—whereas budget revisions would allow us to debate the variations. That would need to be clarified in relation to standing orders. However, as we are faced with the problem every second year, my suggestion would be one way in which to address the issue. I commend that to the committee as a possibility that we could discuss with the minister.

10:30

The Convener: That is an interesting suggestion. As you say, we will have to check how that sits with standing orders.

In response to recommendation 2, the minister has said that he will come back to us as soon as he can. We would expect that to be fairly soon.

Mr Davidson: I agree with Richard Simpson. We must consider what we can do to address the process at an earlier stage. If we agree to deal with changes separately from the yes or no budget line, we might instil some sense into the process.

Although the tone of the minister's response is constructive, I do not detect that he is willing to present us with a series of options, which is the kind of debate that we need, rather than one in which we make a point and the minister says yes or no. We must discuss all the options thoroughly. The minister and his team may have thought about options that we have not considered. We must be as open as possible and encourage such debate. If the minister would prefer to send some of his senior civil servants to discuss options and the nitty-gritty of how the process might work, that would be invaluable to the committee. We have never had a full budget process before and everyone must buy into the process and participate in it.

On recommendation 3, the minister still has concerns about separating the capital charges from other parts—

The Convener: Just a moment, David. We are dealing with recommendations 1 and 2.

Mr Davidson: I am sorry. I thought that Keith Raffan had suggested that we deal with recommendations 1, 2 and 3 together.

Mr Raffan: No. We are dealing with recommendations 1 and 2.

Mr Davidson: I beg your pardon.

Mr Raffan: I agree with Richard Simpson's point. I put forward other options during the stage 3 debate, one of which was weaker than what Richard suggested. We could get the level III figures for the current year and then get the priorities from the department for a CSR year. I also suggested that the Chancellor of the Exchequer should be approached to announce his spending review just before the Whitsun recess—at the end of May. The minister was rather nervous about that proposal. If we are to participate in finding solutions, it might be better for us to present the minister with options—he could respond to each in turn and we would not be waiting for him to descend from on high with tablets of stone. We would put forward options for comments from the minister.

Mr Davidson: I would add that to my previous comments. We can do our side if the minister does his—we must both buy into the process.

The Convener: The response makes it clear that the minister is doing that. We should make any suggestions that might help us to find a way out of the difficulty. Richard Simpson's proposal would give us the opportunity to revisit changes at

stage 3.

There seems to be quite a serious difference between the minister and the committee on recommendation 3, which is on capital charges.

Mr Davidson: Yes. The minister must explain his concerns further. He has made a simplistic comment and I do not fully understand his final sentence:

"I hope your Committee will therefore support me in reinforcing the message that there is a real cost".

The easiest way in which to demonstrate that message in any sector of the Executive's activities would be to spell it out in real terms of hard cash. People will then know that they are sitting on an asset called money—they may not see it going past their desk, but they will know that they are responsible for it.

The Convener: We are very much in the business of getting across the real costs. The first part of that paragraph is in line with what Peter Collings said at our meeting in Aberdeen. It is clear that we have not impressed our view on the minister strongly enough. We must do that.

Andrew Wilson: If members read the *Official Report* of the stage 2 debate, they will see that Angus MacKay said that we should separate out capital charges to improve the impact on the decision-making process of departments. He said that he had understood the point and that it was fair. He agreed with the point in general, although not in relation to small amounts, for reasons that he did not state.

The minister does not seem to be against separating the capital charges. He said:

"It is a question of where and how we set out information, rather than whether we release that information."—[*Official Report*, 13 December 2000; Vol 9, c 927.]

I am not sure whether the Executive has a firm position. We should be firm because we have not heard a strong argument against separating capital charges.

The Convener: We need to clarify the minister's position in respect of the comments in the debate and in the letter.

Mr Raffan: I have a rather minor point. In response to recommendation 3, the minister says that

"it would be helpful for Subject Committees to consider, on the basis of that table, whether they require additional information from Departments."

He is devolving the responsibility away from the Finance Committee to subject committees. We should establish the principle and then tell the subject committees what we have established. Otherwise we will end up with a hotch-potch of committees doing different things.

Mr Macintosh: I remember the reply to Andrew Wilson's point in the debate. The minister seemed to be thinking along the same lines as the committee, unlike his officials in the previous statement. We should take that as our starting point and write back to say that we welcome his response during the stage 2 debate and that we would like further explanation of what he means and whether that will be reflected in documentation from now on. We should assume that the minister agrees with us and ask him how that will be reflected, rather than ask him whether he agrees with us.

The Convener: We are in a similar position in respect of recommendation 4. It seems that the minister is not persuaded that there should be separation. However, given the comments that Andrew Wilson has just quoted, it seems that we should clarify the position. Callum Thomson will take up some of the points in a letter to the minister.

Recommendation 5 has been accepted. The message on recommendation 6 appears to have got across, but we will keep an eye on it.

Andrew Wilson: I have some points on recommendation 7. The minister's comments in the debate, together with those in his response to the recommendations, leave me extremely confused. When asked the source of the reserve, the minister suggested that it was end-year flexibility. It is just not possible for that to be the source of the reserve. Each budget year is set out showing the total budget for each year, part of which is the year reserve. End-year flexibility would require the figures for one year to go down and those for the next year to go up. We should offer the minister the opportunity to reflect on whether end-year flexibility really is the source of the reserve. End-year flexibility provides one explanation of where a reserve might come from, but not a pre-planned reserve. The minister's answer cannot be the whole truth.

Dr Simpson: I am not sure that that is the case. The average end-year flexibility is £350 million. Under last year's agreement, 25 per cent of that is held centrally and 75 per cent goes back. In any given year, a quarter of £300-odd million will be available as end-year flexibility. There should not be a problem if the Executive chooses to put £18 million of that into a reserve.

Andrew Wilson: My point is that if that were end-year flexibility, it would not show up in the total budget for every year. The budget in year one might be £15 billion. That would reduce by the amount of end-year flexibility, which would pass forward into the second year. However, the response suggests a reserve that is set in advance of end-year flexibility being worked out. End-year flexibility will affect the total budget for

any one year, but here the total budget is set out and includes the reserve.

The Convener: The figures for the reserve are £18 million in the first year and £53 million in each of the subsequent years. The question was how those figures could be the same—it did not take account of whether any of the reserve was used. I can see the £18 million being rolled forward into the £53 million, but the figure should not remain stable at £53 million in the next year.

Andrew Wilson: That was another question that was answered at the Aberdeen meeting. The answer was that the reserve was a flow not a stop. That implies that the reserve is £18 million plus £53 million plus £53 million. That would show up on a balance sheet. However, my point is separate from that. The reserve cannot, by definition, come from end-year flexibility. It can be sourced from that—it is roughly equivalent to what end-year flexibility might be—but it cannot be budgeted as such.

Dr Simpson: Although I accept that we need further clarification on that point, I am not sure that I accept Andrew Wilson's argument.

I draw members' attention to the sentence in the response to recommendation 7, on the allocations that the Cabinet will approve, which reads:

"We will inform the Finance Committee and Parliament of any such decision."

The sums involved are not insubstantial, whether they are a flow or a standing amount. There are two types of allocation that might arise from the reserve. The first might be emergency allocation, the amount of which is covered by the Public Finance and Accountability (Scotland) Act 2000, which states the level at which the Executive must gain approval from Parliament before going ahead. Simply to inform the Finance Committee of decisions, without any consultation on how the reserve should be spent, is not adequate. We need more than to be informed—there should be discussion. That is not to say that the Executive does not have the right to make the decision, but there should be discussion with the Finance Committee before a decision is taken.

Mr Davidson: The minister was asked many questions on end-year flexibility both in Aberdeen and in the Parliament. End-year flexibility means that if any money that a department is voted for a programme is not spent, there is no need for a breakneck rush for wallpaper by the end of March, as happened in the past. That means that the only money that can end up in the reserve is money that was never voted in the first place or that was not needed to complete a particular project, so it is pulled back into the centre. All that money must be trailed and we must be told.

The muddy water that is being created by the comments on the source of the reserve will not be cleared unless we have a commitment from the minister that, as spending programmes are cut short—perhaps for perfectly good reasons—we will be told where the money goes. Everything that goes into the reserve must be labelled—its source and its spend. We must do that during the year.

End-year flexibility is about programmes being delivered over time, without the arbitrary barrier of the end of the financial year. End-year flexibility does not mean that an Administration will suddenly produce money out of thin air to do with as it sees fit—the money must come from somewhere. We need in-year audit statements on that, although not on a daily basis. We must press that point to ensure absolute clarity about what is meant by the reserve.

The Convener: The second paragraph of the response to recommendation 7 invites departments to make requests for additional funding. If money for additional funding is available, subject to Cabinet approval, and the departments are stretched—as they usually are—it is inconceivable that there will not be regular bids for the reserve. That has not happened hitherto.

10:45

Mr Macintosh: Perhaps we should take evidence on the subject—either formally or informally—from Mr MacKay's civil servants. All members of the committee have concerns about this. The Parliament as a whole would benefit from having a better understanding of it. I am still not entirely clear about the difference between when one can apply to the Scottish reserve for funds and when one can apply to the Treasury reserve or to a departmental reserve. When money is made available by a Government department in England and Wales, is there a borrowed allocation for Scotland? I imagine that an exchange of letters on the subject could go on for months—rather like the one about real-terms figures—without resolving the issue. If someone like Peter Collings came to give evidence to the committee, we could answer all the questions, or at least find out what difficulties lay ahead.

The Convener: Do members feel that it would be useful to receive a briefing, as Kenneth Macintosh suggests?

Members indicated agreement.

The Convener: We can consider that as part of our programme for the new year.

Recommendation 8 concerns the relationship between the UK reserve and the Scottish reserve. The minister has accepted recommendation 9,

which relates to cross-cutting initiatives.

Mr Raffan: To an extent, it is up to us to make specific proposals or requests—perhaps requests would be more appropriate. I know that the cross-party group in the Scottish Parliament on drug misuse has sent an all-party letter, asking for a breakdown of spending on drug misuse, so that it can have an idea of what proportion of money is spent on enforcement as opposed to on treatment and rehabilitation. It is up to us to identify specific areas, such as rural development and transport, on which we would like information.

In his response, the minister simply states:

"I would be happy to consider how we might be able to present more information on cross-cutting spending".

Perhaps we need to give him a little push in the right direction.

The Convener: That would mean our preparing proposals to put to the minister for consideration, rather than simply leaving things vague.

Mr Raffan: In our stage 2 report, committees identified some cross-cutting areas. We could start with that group of four or five.

The Convener: Yes.

Mr Davidson: During the debates that took place on Scottish tourism, public spending figures for other countries were quoted, but only one or two lines of spend were identified in Scotland. That is nonsense. If we are going to make international comparisons, we need to know what all the public pots have contributed to a particular sector. That would give confidence to people in the private sector who participate in the industry, because they would know what the Government was doing for them through the public purse. When no figures are available, debates can lose their way and nonsensical comments can end up being made.

Mr Raffan: It is not just a question of tracking the money that is spent in the budget; it is a question of tracking outcomes, although that may be more a matter for the Audit Committee. There is no doubt that the Executive allocates money in certain ways. I know of one health board in which specific amounts were ring-fenced for drug misuse. It took nine months for the board to allocate the funds because of issues to do with dual diagnosis. The board was perfectly entitled to act in the way that it did, but one wonders whether it used the money strictly for the purpose for which it was intended.

The Convener: We will ask the clerks to come up with some proposals that we can present to the minister in a letter.

The minister has accepted recommendation 10 on targets. The issue with regard to

recommendation 11, on mainstreaming equality, is how quickly things begin to happen. Next year we need to measure the extent to which the information that we have requested is made available. The subject committees will also do that. The working group to which the minister refers is now up and running; we hope that it will have an effect quickly.

We do not have anything to add to the minister's comments on recommendations 12, 13 and 14, which are fairly straightforward. The minister has accepted a number of our recommendations. However, we still need to reinforce some points.

The fourth item on our agenda relates to stage 3 of this year's budget process. We do not yet have confirmation of the timing of the stage 1 debate on the budget bill, but we understand that the bill is likely to be introduced on 19 January.

I have been asked to consider the amount of time that will be available for the stage 1 debate. It has been suggested that an hour and a half might be sufficient. I do not know how members view that. Last week's debate of two and a half hours seemed a bit stretched. At the end of the day, the Parliamentary Bureau will make a decision about the length of the debate. However, the Deputy Minister for Finance and Local Government asked what I felt about it. I said that I would not give an opinion without consulting members of the committee. My main fear is that we end up with budget debates always being limited to an hour and a half. There is room for flexibility. I welcome members' views.

Elaine Thomson: Are you talking about the stage 3 debate?

The Convener: I was referring to the stage 1 debate on the budget bill, which is stage 3 of the budget process. I am sorry if I gave rise to any confusion.

Mr Macintosh: I agree that it was daft to spend two and a half hours on the stage 2 debate, when there were a number of more contentious issues for the Parliament to discuss. However, we should not put ourselves in the position of not having enough time in future debates. Last week, we did not need a long debate because the committee had discussed the issues in depth and had come to a committee view on them. There were a few disagreements, but most members agreed on every point in the report. In addition, other members were not aware of all the issues that had been raised by the committee. Despite the point that Keith Raffan made, we were discussing the budget process, rather than the budget figures. Perhaps we should indicate two and half weeks ahead of debates, informally through the convener or formally to the bureau, either that we are agreed and that a debate of only one and half

hours is needed, or that we are in serious disagreement and that a debate of two and half hours will be necessary. That would mean the decision being deferred until just before the debate, when the convener could make representations about how much time we needed.

The Convener: Given that the recess is imminent, I am not sure how long we have to inform the bureau of our position on the forthcoming debate, but I take the member's point.

Mr Raffan: We were debating stage 2 of the budget process, rather than stage 2 of the budget bill, but I do not want to get into an argument about that. One and a half hours is probably adequate for the stage 1 debate on the bill, as we cannot amend it at that stage—we can either accept it or throw it out. It is clear that we will accept it.

It is important to establish with the Executive that there should be longer debates on stage 1 and stage 2 of the budget. This is not just about us. We may have explored the issues in depth, but the subject committees also come strongly into play at both stages. We hope that they will have an increasing role at stage 2 if they get level III figures. Members and conveners of those committees should have an opportunity to contribute to the stage 1 and stage 2 debates. It is crucial that we establish that those should be longer debates.

The Convener: That is a fair point. We will indicate that we are prepared for the stage 1 debate on the bill to last an hour and a half.

Forward Work Programme

The Convener: The last item on our agenda is our work programme for next year. Members will have received a copy of the proposals. The suggestion is that we move to fortnightly meetings. The only point that I want to make relates to the week after the spring recess, for which no meeting is scheduled. If we do not meet that week, we will not meet for more than a month. Given that we will not have met in the week immediately prior to the recess, I do not understand why a meeting is not scheduled for the first week after the recess.

Callum Thomson: The committee office has placed committees on a two-week rota. Provisionally, the Finance Committee is on the second week of the rota. That means that we would not meet in the first week after the spring recess.

The Convener: I understand that, but I am not happy about it. Perhaps I have misread the paper—I said that we would not have met in the week prior to the recess.

Elaine Thomson: We will meet in the week prior to the recess, on 13 February.

Mr Raffan: One of the dates given in the paper is wrong—it should read 6 March, rather than 3 March.

Andrew Wilson: The fundamental question is, why are we moving to meetings once a fortnight?

The Convener: That will be the pattern in future. The conveners group has discussed moving to a pattern of fortnightly meetings. That pattern will not be absolutely firm, but the committee office will schedule a programme of meetings that fits in with it. That does not mean that we cannot meet between scheduled meetings. If committees need to fill in the gaps to deal with legislation or other matters, they are at liberty to do so—subject to accommodation being available.

Andrew Wilson: Most of our programme relates to the inquiry into resource accounting and budgeting. There are other things on the stocks that we need to do. I suggest that this might be a good time to conduct some of the more substantial inquiries that have been proposed, because we do not have much on.

Mr Raffan: Was the decision to move to fortnightly meetings made by the conveners or by the Parliamentary Bureau? The issue was not raised in last week's debate on committee restructuring—if it had been, the result of that debate might have been different. To the extent that the proposal introduces an element of greater flexibility, it is quite a good thing. I might not be a member of the committee next year but, if I were, I

would be concerned about the Finance Committee meeting only fortnightly during stages 1 and 2 of the budget, when the committee will receive reports from other committees.

The Convener: That is a fair point. The conveners came up with the idea of fortnightly meetings. I am not aware of the Parliamentary Bureau having been involved, or even of its having a view on the proposal. I do not imagine that the bureau would be greatly concerned either way. The conveners reached their decision on the basis of their experience of how committees have operated in the first year and a half of Parliament.

Mr Raffan: This committee's business has been better managed than that of some others. The work loads of some committees have got ridiculously out of hand. I know of one committee—with which the convener may also be familiar—that has sometimes ended up meeting twice a week.

11:00

The Convener: For those who are not aware of it, Keith Raffan is referring to what will shortly become the social justice committee—the deputy convener of the Social Inclusion, Housing and the Voluntary Sector Committee made that very point at the conveners group meeting. She did not feel that the social justice committee could get by on fortnightly meetings. My experience would endorse that view.

The programme is mapped out, and committees will fill the gaps as they deem necessary.

Mr Davidson: If we consider the programme of work that we have carried out during the past year, although the public seem to think that we have only met once a fortnight, we have had a meeting on most Tuesday mornings. I am concerned that, if we give up the Tuesday morning slot, it will be filled by some other being. Either that, or we will simply not have the appropriate facility.

We need to be more flexible. We can set out a rigid programme to form a framework—by all means—but we need flexibility. As new legislation starts to feed into Parliament, we might have more and more work to deal with. That work will be time constrained, because we will have to meet deadlines. Various people have hinted that, as the Executive itself moves into the new accounting process, there will be little hiccups that it will wish to discuss with us—it will want to do that fairly quickly. It is fine to have a regular programme, but we must ensure that we have the flexibility to deal with things as and when we need to.

The Convener: That is a reasonable proviso, and my understanding of the situation is the same. As convener, I would not want it any other way. I

do not think that anything else is intended. We will accept the work plan—which will stand for the first three months of next year—for the moment but, at a meeting early in the new year, we will consider whether we wish to get involved in any other issues.

Andrew Wilson: What are the implications of the decision? Does it affect rudimentary matters, such as the booking of rooms? Unless I am in a minority of one on this, I would rather commence another inquiry, or at least fill the committee's time with something. There are things that we can do to add to the process. I am not comfortable with the work plan—I would rather be doing things, to be honest. We are holding back a number of the inquiries that we had suggested. There is no slot in the programme, for example, for reporting on the budget process inquiry in which we are involved at present. There are other things to do. To put it frankly, I would rather that the committee met every week.

The Convener: Speaking absolutely personally, I share that view, particularly in view of the fact that members will generally now be on one committee rather than two, following committee restructuring.

I think that we will meet once a week. The point that I was making—without stating it explicitly—was that we will fill the gaps; the gaps in the programme will not always remain gaps and we have the flexibility to fill them. Our report on the budget process will indeed come up for further consideration.

Andrew Wilson: That is fine, convener.

The Convener: If Andrew Wilson is asking whether we should commit ourselves now to the dates on the programme, I would say no. We will fill many of the gaps, but our main programme will be based on a fortnightly cycle.

Mr Raffan: What is the deadline for the report on the budget process? I presume that it comes before we embark on the whole business again in April and that we have a deadline at the end of March.

The Convener: I do not think that we have a deadline, but Keith Raffan is right to identify that that is effectively a self-imposed deadline. We could consider that and get a report on the matter at our first January meeting, which would therefore put it on the agenda for 16 January.

There is one more matter that I want to raise. The committee is required to approve the reimbursement of travel expenses for witnesses who attend our meetings. I am sure that nobody will disagree with that. When Professor David Heald travelled from Aberdeen to give evidence to one of our reporter groups last month, costs were

incurred. I ask for the committee's formal approval that we reimburse Professor Heald for his costs.

Members indicated agreement.

The Convener: There is nothing else on the agenda, but I wish to do two things before closing the meeting. First—I do this perhaps a little prematurely but, the way things work out, I am probably not too far out of line—I thank those committee members for whom this will almost certainly be the last Finance Committee meeting. I do not think that I am out of line in mentioning that Rhoda Grant, Ken Macintosh, Keith Raffan and George Lyon—George is not here today—are moving on to other committees. I thank them for their contribution during the past year and a half. It has been an important 18-month period, which has been informative, not only for this committee, but for the development of the Parliament's budget process. Everybody has played a part in that and, although we are by no means at the end of the process, we can be proud of the way in which the committee has operated and shaped that process. I thank all members for their contributions, and I wish them good luck and success in their new challenges.

Finally, I wish all members, the clerks, the official report staff and the sound engineers a merry Christmas and best wishes for a prosperous 2001.

Mr Raffan: And a merry Christmas to you, convener.

Meeting closed at 11:06.

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