FINANCE COMMITTEE

Tuesday 6 February 2001
(*Morning*)

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FINANCE COMMITTEE
3rd Meeting 2001, Session 1

CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

DEPUTY CONVENER

*Elaine Thomson (Aberdeen North) (Lab)

COMMITTEE MEMBERS

*Mr David Davidson (North-East Scotland) (Con)
Donald Gorrie (Central Scotland) (LD)
Mr Adam Ingram (South of Scotland) (SNP)
Dr Richard Simpson (Ochil) (Lab)
*Andrew Wilson (Central Scotland) (SNP)

*attended

THE FOLLOWING ALSO ATTENDED:

Graeme Dickson (Scottish Executive Finance Department)
David Palmer (Scottish Executive Finance Department)
Peter Peacock (Deputy Minister for Finance and Local Government)

WITNESSES

Mr Trevor Jones (Scottish Executive Health Department)
Mr Ian Russell (Scottish Power)
Professor John Sizer (Scottish Higher Education Funding Council/Scottish Further Education Funding Council)

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McInally

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 6 February 2001

(*Morning*)

[THE CONVENER *opened the meeting at 10:17*]

The Convener (Mike Watson): I formally open the third meeting of the Finance Committee in 2001. We are slightly late because of travel difficulties caused by the excessive weather conditions.

Do members agree to take agenda items 2 and 6 in private?

Members *indicated agreement.*

10:17

Meeting continued in private.

10:34

Meeting continued in public.

Resource Accounting and Budgeting

The Convener: I welcome Trevor Jones, Ian Russell and Professor John Sizer. I must apologise for the delay. We had to wait until we had a quorum—a minimum of three members. This is the first time it has happened at the Finance Committee. We have seven committee members; two have sent their apologies, one was delayed through travel difficulties and another will be here shortly. Needless to say, no members can leave the meeting, for whatever reason. If they do, we will no longer be quorate and the meeting will have to be adjourned. However, we do not expect that to happen.

Thank you for attending the committee and for submitting papers. I invite you to make opening statements, beginning with Mr Jones. We will hear all three statements and then have a general question and answer session.

Mr Trevor Jones (Scottish Executive Health Department): I am an accountant with 30 years' experience of working in the public sector—in local government and the health service. I joined the national health service in 1978 and was very surprised that control on the service was exercised simply at the macro level, based on cash payments, rather than on the resources being consumed. There was no reflection in the revenue accounts of the cost of capital being employed by the service.

I welcome the move to resource accounting. It brings central Government into line with standard accounting practice across the rest of the economy. It will ensure that the full cost of government activity is measured sensibly. It will certainly improve decision-making processes around major capital investment and the reporting on resource use in government.

Let us consider the impact of resource accounting and budgeting on the NHS. Currently, we have two different methods of controlling NHS organisations. Health boards, the longer established part of the NHS, are controlled on traditional cash accounting methods. The more recently created NHS trusts are controlled on an income and expenditure basis. It is unusual to have two parts of one organisation operating under different controls. That is something that we are currently reviewing.

The consequence of those different controls can create a strange understanding of how the NHS is performing. I will give you an example from the accounts of 1999-2000. If we consider the cash outturn of health boards—the former control mechanism—the accounts show a £48.9 million cash surplus. That might imply that the NHS is not using its resources fully or even has too much resource. However, the income and expenditure position of those health boards show that they were over-committed to the tune of £17 million. The move to resource accounting will prevent such confusion and will demonstrate the true financial position of organisations.

I would be happy to answer any questions later.

The Convener: Thank you. The first question that I would like to ask stems from evidence that we took last week from a witness who had worked in the public sector, particularly the national health service, for many years. In his written submission, Steve Renwick said:

"In summary, capital charges became 'funny money' which did little to instil a financial discipline on the NHS".

In other words, the operation of that system was artificial. Has that been your experience?

Mr Jones: No it has not. When capital charging was introduced in 1991, it was a circular movement of money: additional resource was given to health boards, which funded the trusts for capital charges, which were drawn into the centre. That was done to introduce the concept of capital charging to the system. As a result of recent revision, any variation in the cost of capital is now met from the baseline allocations of NHS organisations. Health organisations must now take into account the cost of new capital investment or the savings that would be released by disposal of assets. That mechanism is available to the service.

When capital charges were introduced, they felt rather strange because extra money was put in at one end of the system and taken back at the other. The system did not feel real, but that was the only way the change could have been introduced. Now that variations in capital spend are met by baseline allocations, we have moved away from that system.

I can, perhaps, understand where the weakness comes from, but that is not the position that we are in now. Thinking about the true cost of capital instils discipline. When I joined the health service, capital was regarded as a free good. Under the previous accounting methodology, if you invested in a new hospital—costing about £300 million capital—that would have had no impact on your revenue position and would not have been reflected in your accounts.

The Convener: Thank you.

Mr Russell, would you like to make an opening statement? I contradicted myself by diving in with a question to Mr Jones. I apologise—I was so keen to ask that question.

Mr Ian Russell (Scottish Power): It is a pleasure to meet the committee this morning. I thank you for the invitation to present evidence. I have been with Scottish Power for six years. Scottish Power was privatised just over 10 years ago, so it is not that long ago that some of the issues that the committee is discussing were germane to our business. I submitted a paper, which I hope the committee found helpful. I will draw three points out of that for your reference.

In recent years, Scottish Power has found it important to link the strategy or the plan for our organisation with the day-to-day measures of activity. In any organisation, it is easy to have a grand plan and a grand design of the position that is aimed for, but people find that day-to-day measurements are taken that do not relate to that plan. In the past couple of years, Scottish Power has found cascading down from our strategy to our business plan, to an annual budget and to day-to-day measures—right down the organisation—an invaluable tool. As the committee studies resource accounting and budgeting and its implications, I am sure that it will be helpful to think about that.

All the parts of an organisation must receive appropriate information. In the past couple of years, we have worked hard to ensure that the board sees information that is appropriate to strategy and that other parts of the organisation review more operational data. That is horses for courses—we present the right information to the right people.

Clear accountability is important. Presenting information is easy; the key issue is what someone does with it. We have found that linking decision making to the provision of information and improving the presentation of the information—using graphical devices rather than columns of numbers, to draw out the salient points—has been important. We have tried to keep it simple, because life is complicated enough and we do not need to make it overly complex. Where possible—particularly for senior committees and boards—we have tried to draw out the key points that we want them to focus on and take decisions about, rather than present them with a mass of data.

I hope that those comments were helpful.

The Convener: Thank you. Your comments were helpful.

Professor John Sizer (Scottish Higher Education Funding Council/Scottish Further Education Funding Council): I have been chief executive of the Scottish Higher Education

Funding Council since 1992. Before then, I was a business school academic and I specialised in management accounting, although largely in the private sector. Unlike previous witnesses, who came primarily from chartered accountancy backgrounds, I have more of a management accounting background. I have no specialist knowledge of the NHS, on which the committee has focused.

In my submission, I try to emphasise some managerial aspects, particularly the importance of changing management behaviour, which the financial issues advisory group highlighted. In changing management behaviour, we must get the behavioural aspects right.

I argue that resource budgeting and accounting—I prefer that name—should be considered within a larger system. There are significant parallels between the rather simplistic diagram that I have provided and Ian Russell's evidence. We have, broadly, the same point of view.

10:45

I have set out my concerns about capital accounting, particularly the dangers of misusing information and of confusing information that is relevant to decision making with information that is relevant to reporting past performance. Using the term "replacement cost" has dangers. It is important to understand the relationship between what I prefer to call the assumed current cost and the levels of preventive and corrective maintenance. I emphasise the importance of life-cycle management of physical assets and of understanding life-cycle costing information, which should be forward looking and concerned with cash flows, not costs that are based on the original costs of the asset.

As the committee can see, I have some difficulty with the concept of equity capital as described by the Treasury. It seems odd to talk about the taxpayers' equity. It is confusing to use a standard 6 per cent return, which assumes that risk is the same across the whole public sector. However, I saw some parallels with the approach to divisional performance measurement that some private sector companies use. I try to link those ideas and emphasise the dangers of managers believing that, as they move from often irrelevant historical costs to dealing with current costs, they are playing at numbers.

That leads us into the behavioural and management development aspects, the importance of getting ownership, which is the term Steve Renwick used, and of understanding goal congruence. Focusing on one measure, rather than recognising that, in the public sector, a range of measures must be balanced, can involve dangers.

I explain that the issues are not highly relevant to the funding councils, because we distribute funding to institutions and our running costs budget is rather trivial. In the submission, I discuss the system that cascades down through the responsibility accounting system that I developed in the funding councils. That has parallels with what Ian Russell said.

I deliberately emphasise what Peter Drucker has said. Without effective communication, all the information revolution can produce is data. Without ownership, we will not get positive responses. That could lead to the misuse of the information.

The Convener: We will proceed to general questioning now. I remind members that although it is perfectly acceptable to ask any question of any witness, it helps if members say whether a question is directed at one witness.

I will follow up my question about capital charging in the NHS with Mr Jones. Can you give the committee examples of when capital charging has assisted management decisions or done the opposite?

Mr Jones: At a high level, the simplest example shows that the introduction of capital charging helped tremendously, as it enabled managers to take full account of how a development or investment might be funded. Should an investment be funded by leasing or by traditional Treasury funding? Under the previous styles of accounting, traditional funding always won, because it meant no charge in the revenue account from capital that came from the traditional capital expenditure pot. If managers decided to lease, the lease cost would appear in their annual revenue accounts, so that option would have appeared disadvantageous even though it may have had significant economic advantages. Without knowing or taking full account of the cost of a capital investment, the whole investment may not be considered.

The Convener: Has capital charging in the NHS increased the accountability of health care institutions?

Mr Jones: I do not think that it has necessarily increased the accountability of health care organisations; it is more about improving decision making processes and assessing the true cost of the service provided.

The Convener: That is interesting because, again, you have highlighted a management issue. That has been a theme of the contributions of all three witnesses. I find that interesting.

Elaine Thomson (Aberdeen North) (Lab): You said that the introduction of RAB is primarily about improving decision making, so it is really an improved management tool rather than a way of improving accountability in the use of finances.

Mr Jones: It is both. From a taxpayer's perspective, there has to be an assurance that proper processes are in place to ensure that capital is used wisely and that investment decisions are taken wisely. Although RAB is a very useful management tool, it also reassures the taxpayer that money is being used to best effect.

Elaine Thomson: I will ask all three witnesses a question that the committee has asked of other witnesses. What are the possible pitfalls in a transition from a cash-based system to RAB? What do the different public sector organisations that will be going through that transition need to look out for, to make the transition as smooth and effective as possible?

Mr Russell: If I think back to when Scottish Power was privatised some 10 years ago, one of the pitfalls is when things are too complicated. The danger is that you get embroiled in the mechanics and lose sight of the objective. I imagine that, if you start from a cash accounting perspective, which is reasonably black and white, a new system will introduce shades of grey. It would be easy to worry about what shade the grey should be, rather than look past that to the fact that the system is supposed—as John Sizer said—to be about providing information rather than data. From our experience, it is good to avoid some of the mechanical debate. If that means having to make estimates, do so—but get through that stage and remember what you are trying to use the information for.

Although I have no knowledge of health organisations specifically, the transition places an importance on good information technology systems. We have all been involved in installing IT that has not worked, or has taken longer than it should to work. That is another bear trap to avoid. Keep things simple.

The Convener: Yes, we have heard that advice from other witnesses.

Elaine Thomson: How key is it to have adequate IT systems and support so that all the data can be turned into information that is useful for decision-making purposes? Most people have said that it is fairly important to do that, but last week we had one witness who said that it was not really that important as long as the correct accounting principles were used.

Another point that is exercising our minds is that the introduction of large IT projects can sometimes be problematic in many different kinds of organisations. The added factor here is that, in the public sector, any problems are very public.

Professor Sizer: You have to differentiate clearly between external reporting on the overall performance of an organisation and relevant information for managers for planning, decision making and control. That information has to be not only backward looking and current, but forward looking—as Ian Russell emphasised. You can control only the future.

Managers have to make decisions about the allocation of resources to various programmes. Subsequently, they have to be able to measure performance against those resources in terms of the quantitative and qualitative indicators, the resources actually used and the forecast for the use of resources for the rest of the period in question. If you are to have that sort of system, and if managers are to believe in it and own it, you have to have reliable IT systems to underpin it.

I was involved in resource accounting in the NHS in England about 12 years ago, when I was asked to look at what was happening. Systems were being developed by accountants for accountants. Those people were saying, "If I were doing this job, this is the information that I would need." For that reason, no one else had a sense of ownership. To get that sense of ownership among managers, not only do you have to satisfy them that you are identifying their information needs, you have to provide the information in the form that they want it, when they want it. To do that in a large and complex organisation such as the NHS, you would have to have good underpinning IT systems. However, that does not mean that you have to give people masses of information.

I think that Ian Russell is arguing that you have to produce attention-directing reports and then have the capacity to give more detailed information if required. The more you move up the pyramid, the more you move to attention-directing information that you must be able to follow through. All of that requires integrated information systems and getting the behavioural aspects right. Do you agree, Ian?

Mr Russell: Yes, I do. There are two issues here. Everything Professor Sizer has just said is right, but it is right under both cash accounting and accrual accounting.

Professor Sizer: Yes.

Mr Russell: It is probably even more important under RAB than it is under cash accounting, because some of the bases of calculation will be so dependent on good IT systems.

Professor Sizer: Yes—cash accounting does not identify the resources that you will use and, as I explained, once you get into allocating common costs to programmes, you have all the problems of absorption costing systems.

I disagree with one thing that has been said. When making investment decisions and lease-and-buy decisions, people are basically saying either, “Shall we pay out a sum of money today to get either a greater sum back over a period of time or a set of added values?” or, “Should we use our money or somebody else’s money?” That all relates to cash profiles and discounting and risk analysis; I do not think that you have to have an RAB system for that sort of decision making.

I would separate what I said about decisions about life cycle management of assets from a management accounting system that identifies and satisfies managers’ needs within a framework of resource management. There is a danger of looking at resource accounting and budgeting in isolation from the other elements in the diagram in my submission. Ian Russell also touched on the strategy structure process.

Mr Jones: Going back to the original question, I would be concerned if the committee believed that the introduction of resource accounting to the NHS is new and that it does not already exist. The NHS has maintained income and expenditure accounts and cash accounts for all its organisations for a number of years. The difference will be that the control under RAB will be exercised on an income and expenditure basis. However, the system and the IT exist.

No investment is required, because the service is managed on the basis of income and expenditure accounts. Health boards are controlled by cash accounting, but all the systems and the accounting treatment are in place. In practice, converting to control by RAB will have very little impact on the NHS. It will simply be a change in control from the centre. There may be some minor changes in the final accounts, but that will be about it. Traditionally, though without being required to, the NHS has maintained income and expenditure accounts; everything is in place to do that.

11:00

Looking forward, it is much more important to move away from controlling the NHS from the centre and assessing it only on its financial performance. We are adopting a new performance assessment framework of which finance will be only one part. We will measure the quality of the service and we will involve the general public and consumer groups; we will measure its relationship with other partners in developing the health improvement agenda; and we will measure an organisation’s performance as an employer, introducing staff governance standards for the NHS. We will not concentrate simply on finance.

From a management perspective, we are moving away from basing performance assessments on the financial bottom line and are measuring the 50 NHS organisations in Scotland in terms of health improvement, the quality of health services that are provided and the employment culture in organisations. The NHS in Scotland employs 136,000 people; we will measure the success of the employment process. Ensuring the effectiveness of organisations is a much broader issue than deciding whether to use cash accounting or income and expenditure accounting.

The Convener: You mentioned earlier that health boards operate a system of cash accounting, whereas trusts are run on an income and expenditure basis. Has that caused any difficulties in the way that they relate to each other?

Mr Jones: In control terms, it has. I mentioned the two figures that I think are interesting. Health boards operate income and expenditure accounts but are controlled formally on a cash basis. However, we are introducing a different type of organisation in the NHS—new NHS boards—in which trusts and area health boards will come together in a single, unified board. We are still designing the finance regime for those boards, but it is safe to assume that they will operate income and expenditure control. The cash controls will still be required, but the principal control must be of income and expenditure, which should be forecast three to five years ahead. The boards will need to know what current commitments will mean to the service in future, which will mean not looking simply at historical cash payments.

The Convener: The new boards will absorb people from trusts who have gained experience of income and expenditure accounting, so the boards’ management will not be entirely new to that system.

Mr Jones: Trusts will remain separate statutory organisations, but will manage national health services through a new corporate board that will include the chairmen and chief executives of the existing health boards and of the two trusts in the area. There are more trusts in the Lothian, Glasgow and Argyll and Clyde areas, but generally the NHS in an area is made up of three organisations, and there will be a single board with corporate responsibility for the management of the three parts of the business: the management of hospitals; the management of primary care services; and the planning function of health boards.

Mr David Davidson (North-East Scotland) (Con): I am having flashbacks to Professor Sizer’s textbook, which I read in the early 1980s in a business school.

The Convener: He has it with him.

Mr Davidson: That book must be in its 25th edition by now.

Professor Sizer: I hope that you read the third edition, rather than the first.

Mr Davidson: Earlier, and in your paper, you mentioned the life cycle management of physical assets. That is an area that I would like to tease out with the three witnesses.

From a technical point of view, we have a series of options for considering such management. The committee is very concerned—it has said so regularly—about the use of a flat deflator across various public services, and even within a public service. In the NHS, for example, drug inflation is totally different from other types. We are entering a more complex, faster-moving environment in all the public services and technology is changing every day. We can no longer consider some of the equipment in the health service on a fit-for-purpose basis because, although it may be fit for the purpose for which it was designed and bought, treatment has moved on. Given the changing environment, how should we view the management of the health service's physical assets and how can we structure accountability for it across the different organisations?

Professor Sizer: You start, Ian.

Mr Russell: I may not be the best person to begin, because I fancy that I may offer you a contrary view. I can comment only on what we do in Scottish Power; I do not know the public sector's accounting practices well, but I shall give you my perspective on the situation.

Scottish Power is trying to do two things; we are trying to use historical accounting as a control mechanism for what we have done—although that is in the past and cannot be undone—and, more important, we are trying to make the right decisions regarding the end position or deployment of future assets. Did you use the word deflator?

Mr Davidson: I meant the rate of depreciation or the cost of capital.

Mr Russell: I confess that we do not pay an awful lot of attention to that. When we buy an asset, we know what it will cost, but the issue is what it will cost to maintain over its lifetime. I worry more about the revenue costs that are associated with the maintenance of an asset than the way in which the capital cost of that asset could be allocated over its lifetime. We look backwards at an asset as a sunk cost—a historic cost and a fixed, quantifiable figure—and try to forecast its future maintenance costs and the output that we will get from it. For example, if we were trying to build a new generating plant, I would be much more interested in the estimated price of electricity in 10 years' time—the price that we could get for the output—than the way in which the cost of the asset could be allocated over a certain number of years.

Mr Davidson: I appreciate your comments, as I have worked in the private sector and I know that businesses must look forward. However, we are concerned that the Government is going to enforce a return regardless of the actual costs of renewing assets. Perhaps your colleagues could comment on that.

Mr Russell: Maybe that is the wrong starting point—maybe it is not about enforcing a return.

Professor Sizer: The life-cycle management of physical assets started in the Ministry of Defence. Twenty years ago, I was the chairman of a committee on life-cycle costing in the Department of Trade and Industry. Broadly, our view was that investment decisions should take into account trade-offs between initial capital costs and subsequent operating and maintenance costs. It may be worth spending more initially on a physical asset that will incur lower operating and maintenance costs.

As Ian Russell says, once an asset has been acquired, its cost is sunk. The decisions over its lifetime concern preventive and corrective maintenance programmes and, as technology changes, the advantages of a replacement asset increase. At a certain point, an organisation must consider the continuing costs of operating an asset—its efficiency and maintenance costs—and the cost of a replacement asset that might be more efficient and incur lower corrective and preventive maintenance costs. That situation arises all the time in information technology, in which products have very short life cycles.

For historical accounting purposes, we record the original cost of our assets—these days, many businesses bring that up to the assumed current cost—and try to maintain them intact. If I bought for £10,000 a car that had a five-year life, and I put £10,000 under my bed, because of inflation I could not necessarily replace the car with a similar one in five years' time.

There is a different set of issues about businesses understanding their current assets and what they need to maintain in the business to maintain it as a going concern. The going-concern concept might apply to the health service, but I am not sure that it applies to the whole public sector. I find it interesting that, in all the evidence that I have read, the committee has concentrated largely on the health service. I realise that that budget accounts for one third of the Parliament's budget, but what about other programmes, for example roads, the environment and—dare I say it—the new Parliament building? The issue that you are considering is much wider than the health service.

Mr Davidson: Would I be right to assume that you are suggesting a change in culture at the centre, that we should look more at outcomes and what it takes to deliver services in the public sector, rather than at the mechanism of artificial returns?

Professor Sizer: You are obviously familiar with the financial issues advisory group's report. We said clearly that resource budgeting and accounting will achieve its purposes only if it leads to a significant change in management behaviour. From the evidence that I have seen, the committee has not asked people in the core of the Scottish Executive how the change is affecting their behaviour and how it fits in to the broader management system. Ian Russell has emphasised that that is one part of the issue. Trevor Jones has emphasised the balanced score-card approach. I am interested in—I think that Irvine Lapsley thought that I knew this, but I do not, because I am at arm's length—how RAB affects behaviour at the core of the Scottish Executive. The health service is way ahead, because as Trevor Jones said, it has been involved in resource accounting for 15 or 20 years.

Mr Jones: If one takes a step back to think about what we are trying to achieve through the management of the public sector, the direction that I described for the health service performance assessment framework is concerned with NHS outputs. Is the population getting healthier? Are patients being treated well? What is the quality of the service that is being provided? Are the organisations operating as one would expect public sector organisations to operate? What are the staff governance standards?

Financial targets are now one part of a much wider framework. In the past, financial targets were the only targets, so we are putting finance in its proper place. I guess that as an accountant I am allowed to say that. Within the financial controls, one comes down to controls over the core business, such as revenue costs, staffing budgets and so on. By the time one deals with capital, one is dealing with a relatively small part of the business. I do not lose any sleep over whether we should have a single charge for the cost of capital; that is, whether it should be 6 per cent across the board or whether there should be variable rates. That is because in practice, within the wider performance assessment framework, the differences between having 6 per cent for education and 5 per cent for health will not significantly affect what we are trying to do, which is to improve the output from the public sector. I tend to look at the much wider performance assessment framework, rather than worry too much about some of the fine detail within the resource accounting change. The effect is not significant.

Mr Davidson: That leads us on to demand resourcing in your service. The private sector will deal with that one way, and you may deal with it in another. That is the issue for the future, because we know that there are increasing pressures on public services to deliver more and more. The public expects more. We have our ageing population and all sorts of other factors to take account of. Could the three witnesses comment on how we should look at the resourcing of demand in budgets that are set annually with two years' predictions?

Mr Jones: From a health service perspective, that is a difficult issue. David Davidson is right that we have an ageing population. There are also significant differences between the health statuses of different communities throughout Scotland. There are issues about time, geography and investment in health. On the geographical aspects, we have just introduced a new resource allocation formula for Scotland, which distributes resources to the health service based on the differences in the needs of populations. It does not take inputs into account and it does not look at the historical costs of providing the NHS in an area; it looks at what a population needs.

11:15

Once those resources come into a health board area, the local health system must decide how much should be invested in preventive measures; that is, on stopping people from becoming ill in future, which is long-term investment. If people are encouraged to stop smoking now, the health benefits will be seen some years down the line. There is an issue about how much should be invested in that and how much should be invested in the reaction to ill health; that is, how much should be invested in health services now.

It is a very difficult equation, because we all live within fixed budgets. We must rethink radically how we prioritise across different parts of the health business. Do we invest in long-term health needs—for example, significant extra funds are going to Glasgow for that—or do we invest in new medical technologies that will allow us to provide different treatments with potentially better outcomes to people who have illnesses?

Mr Davidson: Are those different objectives causing tension within the health service?

Mr Jones: They are not causing tension. The move to a resource allocation formula that reflects differences in health needs and deprivation in different areas has been warmly welcomed, but we work in a service in which there will always be financial pressures. Since 1947, the health service's ability to treat people—that is, clinical developments—has always outstripped the ability to invest resources in it. That is the difficult balance that we all must face. People welcome the direction that we are moving in, but it is difficult.

Mr Russell: All I can add is to point out the importance of joining up the long-term plan with short-term budgets or targets. All organisations, over a variety of periods of time, are resource constrained. I will broaden my comments to talk more generally than just about the health service, because I lack specific knowledge of the health service. Ensuring that the long-term objectives that are set are supported by individual steps, and using information from resource accounting to take those steps, will help good decisions to be made. It is easy to be focused on the short term. We all do that—I am guilty as charged. The key is seeing where one is trying to get to.

Our business—the power business—is a fairly long-term activity. Power stations last for 25 years, so we try to anticipate the demand for electricity, the price of coal, the price of gas and so on. There are parallels between public and private sector targets. Our experience is that it is almost more important to break those targets down into steps that one can see oneself taking, and to make sure that decisions are taken well, than it is to focus on the near term.

Professor Sizer: The problem is that whatever the political persuasion of ministers, there is always a danger that they will commit themselves to delivering something that they do not have the resources to deliver. Ministerial policy decisions must be informed by sound information; if the wrong decisions are made and ministers commit themselves to programmes that are beyond the available resources, the civil servants who must manage those programmes will be on a hiding to nothing.

Therefore, it is important to have relevant information for decision making all the way down. When strategic decisions are made, the financial implications must be understood. Resources can then be made available to be cascaded down. The heads of various departments should then go through the same process that they went through with their operating plans, so that they have a good understanding of the resource implications. They should go through the process that I have tried to highlight, of not merely allocating resources, but making sure that they are used efficiently and economically. The Finance Committee's work in this area therefore overlaps closely with that of the Audit Committee. If ministers make the right decisions in the first place about the overall budget, they must then be in a position to satisfy themselves, as must parliamentary committees, that resources are allocated so that they will deliver the programme and that resources are being used so that value for money can be demonstrated. That calls for relevant information at all stages; it is clearly what Trevor Jones is building in for the health service.

The Convener: On the question of staffing to deliver the new system, will Mr Russell say something about the numbers and skills mix of the accounting staff at Scottish Power? To pick up the point that Professor Sizer made on capital accounting being used to inform managers—he talked about incremental costs, sunk costs and so on—we have heard that there are perceived difficulties in enabling public sector accounting staff to make the leap to the new system. Do you believe that sufficient qualified staff are in place to ensure that RAB can be implemented and, if not, where are the gaps?

Mr Russell: At Scottish Power we have seen a radical change in the number and type of staff in the accounting teams. A lot more of our accounting and finance staff are now out in our businesses rather than working centrally, because a lot of the decision making is now devolved and the finance teams need to be where the decision-making goes on. We used to have a lot of people processing data and relatively few people trying to think about what it meant and getting information to the people who were taking decisions. Although we are far from perfect, that equation has now been inverted.

As I said, we are now using IT to do more of the processing, so we have broadly halved the number of accounting staff. The staff who we have focus much more on putting data into a form that supports decision making. We have also tried to ensure that the frequency of the production of data is right. IT lends itself to churning out masses of data, relatively little of which is needed for decision making, so what I said about the quality of IT systems and the staffing issue go hand in hand. In finance we have seen a move away from processors to decision makers. I do not think that Scotland has a skill shortage in that area. Scottish Power prides itself on the amount that it spends each year on training and development, including in finance, and we have found that people are very able and willing to move up that learning curve.

Professor Sizer: Ian Russell and I used to sit on a panel that chose the finance director of the year. One of the awards was for the public sector finance director of the year and when we last sat on the panel it was awarded to a lady who was working in health who was very good and who demonstrated the qualities that Ian mentioned. The reason why I was put on the University Grants Committee some 25 years ago was to raise the quality of financial management in universities. We have moved from finance officers to finance directors who play a broader role.

Because I am not closely involved with the Scottish Executive I cannot really answer the convener's question, other than to say that I do not see such a role in the Executive. There is a finance department—Peter Collings is extremely able—that basically mirrors Treasury activity, but I do not think that in individual departments there is an integrated finance director function or financial controllership role, where the finance function supports management decision making by identifying and satisfying information needs.

As Ian Russell said, that kind of person is very different from somebody who processes and provides information. Many companies now separate the traditional financial accounting function from financial controllership. That function must interface with management, identify needs and feed that back to the financial accountants so that the system can produce the right information, and then work with managers to ensure that they understand the information and can base decisions on it.

I am not sure that there is such a culture in the Scottish Executive but, more crucially and as I emphasise in the paper, are there staff development programmes to deliver it? The Scottish Executive is an Investors in People organisation, so one would expect that that would be part of its overall management development programme. The Finance Committee has taken very limited evidence from people in the Executive, and focused primarily on the health service, which I suspect is a bit ahead of the game. However, Trevor Jones is also part of the senior management team, so it might be unfair—

Mr Jones: I think I should comment.

Professor Sizer: I am winding Trevor Jones up a bit.

Mr Jones: Professor Sizer says that he is not part of the Scottish Executive, but he has expressed views about the standard of its financial management. Having spent 13 weeks as head of department for health in the Executive, I can reassure the committee that we have a finance director within the health department. We also have a finance directorate that is staffed partly by career civil servants but also by finance staff who have worked in the health service. We certainly have in the health department the sort of finance relationship that he referred to.

Professor Sizer: I am aware of that. I am not aware of whether that is true of other departments and, if it is not, whether the matter is being addressed. Somebody else would have to answer that. I did not intend to be critical.

The Convener: In reply to Professor Sizer's comment, we have not yet taken evidence from the Scottish Executive, but we will see Peter Collings and the head of the accounting section, so we will be given a more rounded picture as our inquiry progresses.

Elaine Thomson: Mr Russell mentioned the importance for proper decision-making of the way in which information is presented. The committee has discussed how information is presented in a number of different contexts, and how complex financial information can be made intelligible to all sorts of audiences. You mentioned the traffic light system for highlighting key performance indicators. Can you expand on that? How important is it to ensure that people understand how to present financial information properly?

The Convener: And are you sure that there are no colour-blind people on your staff?

Mr Russell: It is a criterion of employment, I am afraid. We would not claim ownership of the idea—I am sure that others are doing similar things. Particularly for some of our executive committees, we split the provision of information into two categories: information that is needed to monitor performance, so that we have a view on whether the business is performing well; and information that is needed for making investment decisions or other specific forward-looking decisions.

11:30

If performance is not good, decisions on that will have to be taken, but that is usually more of a reviewing function. We need more time for the forward-looking decisions. We must know what our strategy, plans and budgets are, so that we know what we are trying to do and what performance indicators will show whether we are doing well or badly. We extract the information on our performance according to those indicators and mark it on paper with a traffic light symbol in the right-hand margin.

If the symbol is green, that means that our performance is fine and that we do not need to look at it. If it is amber, we might want to watch our performance, and if it is red we should be spending a lot of time talking about it. When we review the performance of an individual business or of the group, we find that that is a way to get the Executive to focus on the things that require its attention. It is management by exception, using traffic lights. I am sure that there are other approaches, but we find that that gives us the time to focus on the matters on which we need to decide, whether on capital investment or whatever. It is a form of time management.

The Convener: As there are no further questions, I thank the witnesses for their helpful contributions. We will send you a copy of the committee's report, which will give you a feel for the full range of evidence that we are taking. It is quite a long inquiry.

11:32

Meeting adjourned.

11:36

On resuming—

Budget (Scotland) Act 2000 (Amendment) (No 2) Order 2001 (draft)

The Convener: I welcome the minister and his officials to the committee. I suggest that we invite the minister to talk us through the various sections of the draft order and, after he has formally moved the motion, we will put to him general questions and then questions on individual sections.

The Deputy Minister for Finance and Local Government (Peter Peacock): I have a few words of introduction to make. As you are aware, the budget revision is largely a technical exercise matching the authorisations that we require to the year end with the expected outturn as a result of all the different activities that have taken place during the year. On page 5, there is an example of the technical nature of the exercise. The reduction of £10.7 million in common agricultural policy market support reflects the reduced demand for CAP payments, but it is balanced by a reduction in receipts from the Intervention Board.

There are some policy-oriented changes in the document. There is a provision for the cost of the Lockerbie trial, as there was last year. The sum that is involved is £28.4 million, which is spread over a number of votes: £15.3 million for police and prison costs, £10.5 million for court and Camp Zeist costs and £2.8 million for Crown Office prosecution costs. The good news is that, by agreement with the Treasury, all the capital costs and 80 per cent of the current costs will be met from the UK reserve.

In addition, the UK Treasury is negotiating with the American Government with a view to the latter providing substantial compensation for those costs. Although a substantial sum of money is involved, a relatively small amount will fall on the Scottish criminal justice system. We have done well out of the special arrangements with the Treasury. As members know, the circumstances were exceptional and the national reserve has picked up almost all the additional costs to the system that have arisen as a result of the trial.

More generally, the revision reflects the allocation of the first tranche of modernising Government funding; £13 million across central and local government. The individual amounts are identified in the votes to which funding has been allocated. I draw the committee's attention to the use again this year of the anticipation facility on European funding. That reflects the past efforts to speed up grant payments and improve the payment of grant moneys.

I am more than happy to go through each section of the document answering questions. There are no further matters in the document to which I want to draw the committee's attention. I hope that my colleagues and I will be able to answer your questions. I move the motion on the order.

The Convener: I think that I was procedurally incorrect. The formal moving has to be delayed until we have dealt with questions.

Peter Peacock: Fine.

The Convener: I will kick off. You pre-empted the question that I wanted to ask on the Lockerbie trial costs. You mentioned a figure of £28 million, spread over several departments, and the contribution that is being made by the United States Government. Roughly what percentage of the costs will be met?

Peter Peacock: We cannot be precise on that. Negotiations are proceeding with a degree of good will. We have no final details of the proportion of the costs that the US Government will pay.

The Convener: I thought that an arrangement might have been made when the trial began that a certain proportion would be met by the US Government, but that is not the case. The matter will be considered when the final costs are known.

Peter Peacock: Yes.

The Convener: It might be helpful if we go through the document, department by department, as we did last week.

Andrew Wilson (Central Scotland) (SNP): Before we do, I have a general question. How often are budget revisions expected to take place throughout the year? Does it vary? Is it once or twice a year?

David Palmer (Scottish Executive Finance Department): There are three possibilities: summer, autumn/winter, and spring. In general, we try to avoid summer.

Andrew Wilson: That is useful.

From what you have said, it seems that 20 per cent of current expenditure on the Lockerbie trial is not being met from the UK reserve. What is the overall call on the Scottish budget from Lockerbie?

Peter Peacock: I will ask officials to provide precise information. The principle is that although some costs would have fallen on the Scottish system had the trial taken place here, and we would have been expected to bear some of the costs, given the significance of the events and the trial, the Treasury has agreed to pick up those costs that it can.

David Palmer: The briefing that I have received says that the estimated impact on Scottish Executive departmental expenditure limits is about £5.4 million. That is the estimated cost of the trial had it taken place in Scotland.

The Convener: If there are no further general questions, we will begin department-by-department scrutiny with the rural affairs department, which is covered on page 5 of the document.

If there are no points on that department, we will move to the development department. I will ask a question about something on page 17, on European structural funds. The main change here is an increase of about £32 million. Indeed, the Minister for Finance and Local Government mentioned that change in his letter of 22 January. Will the deputy minister expand on the reasons for the bigger than expected take-up of European structural funds this year?

Peter Peacock: There are two reasons. The first relates to the expenditure of projects taking up funds, but the second relates to the administration of those. I understand that we are making payments more promptly, which requires us to draw forward money from next year. The change is accounted for more by improvements in the administration of funds than by an increased take-up of funds per se, although that is one element.

The Convener: Also, there is the transfer of £31.7 million to the education department from the local government budget to cover payments for additional funds for schools. Will you, or one of your officials, explain the reason for that transfer?

Peter Peacock: Are you referring to page 18?

The Convener: Yes. I should have said so.

Peter Peacock: As I recall, this relates to the funding from the budget revision, which allocated money to individual schools throughout the UK. Scotland's component of that is this £31 million. The funding flowed through the development department on its way to the education department, because it is a local authority payment for distribution. So this is the money arising out of the budget last year that went to schools on a formula basis: so much to secondary schools and so much to primary schools.

The Convener: Is that some of the money that went directly to schools and did not touch local authorities on the way, or was it channelled through local authorities?

Peter Peacock: I was in the education department at the time and, as I recall, the money was channelled through local authorities because the education department is not authorised to give funding directly to schools so, technically, the money went through local authorities. However, there was an agreement on a formula, and local authorities passed the money directly to individual schools with minimal adjustments to the formula to meet local circumstances.

11:45

Andrew Wilson: Why did the money go through the development department in the first place? What was the logic in that?

Peter Peacock: I would need to ask officials, but my understanding is that it was because the expenditure was related to local authority expenditure, and the home for local authority expenditure is the development department. That is why, as can be seen in the documentation, the money was transferred from the education department on its way to local authorities. My officials tell me that that is reasonably accurate.

Mr Davidson: I will continue from the convener's point. The top line of page 18 is:

"Transfer from Health Department for Bed Blocking".

Is that a contractual payment, or is it an allocation system to local authorities only?

Peter Peacock: Do you mean contractual in the sense of a contract between the Executive and local authorities or between—

Mr Davidson: Or between local authorities and the health department.

Peter Peacock: No, I do not think that it is done on the basis of a contract. It is done on the basis of a formula distribution in the normal way.

David Palmer: The idea was that this was health-related spending by local authorities, and the funding should have come from the health department. It is a similar point to that about the education spending that we talked about earlier. Local authorities made the expenditure to reduce bedblocking—in effect, to get elderly people out of hospital. The proper source of that funding should have been the health department, which is why the money was transferred to the health department.

Mr Davidson: Basically, it is an accounting device. It is an audit procedure.

David Palmer: Yes.

Peter Peacock: It might be useful for us to give you further clarification. I was not clear whether the question was about a specific legal contract, or whether it was about the nature of the arrangement, under which we would expect certain outcomes from local authorities for that expenditure, because there would be understandings that this funding would impact on, and reduce, bedblocking. To that extent, there would be a contract, but we can give you more information if it would be helpful.

Mr Davidson: That would be helpful. If I may continue on the development department, on page 26, there is a large input in the capital budgets. Is that money that is being called early, or is it extra money that has been negotiated?

Peter Peacock: Could you point out the line that you are on?

Mr Davidson: I am on page 26, halfway down the page, just below the heading "Operating Budget", where it lists "Capital expenditure" and "Capital Receipts Applied".

David Palmer: I believe that that is the capital element of the anticipation facility.

The Convener: Are there any further questions on the development department?

Elaine Thomson: I notice that money is moving around for Bellwin scheme payments. Pages 17 and 18 show that money has come from housing and gone to local government. Why is that?

Peter Peacock: It is likely to relate to flooding, given the nature of the Bellwin scheme. It operates in relation to major flooding, or occasionally major snow or gales, that creates unusual damage to property. Again, we can find out specific information. I have just been informed that it is to do with flooding.

The Convener: If there is nothing further on development, we will move on to the education department. Minister, about halfway down page 33, under the heading of level II, section (d), which deals with specific grants, there is an increase of £17.2 million from what are termed "Budget consequentials". Where was that amount before it was allocated to specific grants? Was it in the Scottish consolidated fund reserve, or had it been given to the education department and was awaiting allocation?

Peter Peacock: It is as we described in the previous discussion on the transfer from the development department. That sum was a consequence of the Chancellor of the Exchequer's pre-budget statement and the additional resources allocated to education authorities for distribution to primary, secondary and special schools. The distribution was on the same formula basis as we discussed previously in relation to the chancellor's main budget statement. The money was further additional cash coming into the education system and was distributed to schools by the education department.

Andrew Wilson: This might be a pedantic point, but I do not understand why that money can go directly to education but the other allocations to schools have to go via the development department.

Peter Peacock: We will have to come back to you on that. You appear to have picked up a point that shows inconsistency between the treatment of the two sums.

Andrew Wilson: It does not matter that much.

Peter Peacock: It is worth looking into.

Mr Davidson: A theme that runs through the book is the fact that not distributing funds directly appears to increase the amount of administration. Is that a quantifiable cost?

Peter Peacock: Are you talking about, for example, the way in which funds are transferred to the development department on their way to the education department?

Mr Davidson: Yes.

Peter Peacock: I would not think that the cost was quantifiable. The development department deals with all local authority expenditure matters and issues relating to the grant formulas and distribution mechanisms. That department is intimately engaged in discussions with local authorities about such matters. I would have thought that it would be a simple administrative process to house the funding in that department until the discussions between colleagues in the Executive and local government were complete and the money could be transferred to, say, the education department. I do not think that any financial burden will be attached to doing that.

The Convener: We will move on to deal with the enterprise and lifelong learning department.

Mr Davidson: In part (b) on page 44, is there a reason why only two teaching hospitals are listed?

Graeme Dickson (Scottish Executive Finance Department): That is because they are teaching hospitals that are being built or, as is the case with the Western general hospital in Edinburgh, substantially altered. Because the changes in teaching provision have been brought about as a result of changes in the NHS, the NHS is funding the teaching elements in those two hospitals.

Andrew Wilson: Could you say something about the Open University overpayment, minister? Part (b) also says that £5 million is being transferred to the Department for Education and Employment in respect of Open University overpayment.

Peter Peacock: Do you want to know why there was an overpayment in the first instance?

Andrew Wilson: Yes. I would like to know what is going on there.

Peter Peacock: I will have to get back to you on that as I do not have that level of detail with me today.

Graeme Dickson: As you may know, we have recently transferred funding for Scottish students in the Open University to the Scottish Education Funding Council. I imagine that some sort of balancing process has gone on. We will ask the relevant people and send you a note of the answer.

The Convener: We will move on to deal with the health department. Minister, on page 58 the figure under the level II heading that jumps out and hits me is the £56 million decrease because of

"Revision of NHS Trusts' External Financing Limit".

What proportion of the total resources available to trusts does that represent? How was that figure of £56 million arrived at? How often might we expect to see revisions of that sort?

Peter Peacock: Unless my officials can give me an answer right now, I will have to come back to you on the proportion.

The Convener: I accept that.

Peter Peacock: Changes to the external financing limit reflect changes to capital plans and the reduction is mainly because of trusts' making use of funds in their bank accounts rather than borrowing from the department. The trusts' external financing limit is essentially the difference between the funds raised by the trusts to undertake their activities, including the acquisition of assets, and the income that they receive for undertaking those activities. In a number of respects, the changes reflect a different mechanism for securing resources for activities, rather than changes in funding per se.

Graeme Dickson: The only thing that I would add to that is that, rather than a reduction, the change reflects a transfer into non-voted resources.

The Convener: I accept that, but what about the frequency of that sort of revision? Is it likely to happen again?

Graeme Dickson: We would need to check with health colleagues and let you know.

Peter Peacock: We will come back to you on that.

Mr Davidson: Can we have a breakdown of the trusts that were involved in this?

Peter Peacock: Yes, I am sure that that can be done.

Andrew Wilson: Mr Dickson spoke about a "transfer into non-voted resources." What will that mean? This is a revision to the budget a matter of weeks before the year ends. Will it be regarded as end-year flexibility?

Peter Peacock: This is a change to how financing is raised rather than to the amount of financing. What the trusts do now will still score against expenditure somewhere else in the system. The two things should balance each other out in the end-year position. The question here is about how resources are raised.

I think that that answer will hold, but we can double-check it for members to ensure that it gives the true position.

The Convener: Thank you. The figures for the Scottish Executive justice department begin on page 68, but as no one seems to want to raise any points, we will move on to the Scottish Executive administration on page 86.

Andrew Wilson: I have two quick questions. What is the difference between the Executive administration and the Executive secretariat?

Graeme Dickson: The Executive secretariat is, in effect, part of the Scottish Executive. It is a department like the development department or the finance group.

Andrew Wilson: Is that a recent thing?

Peter Peacock: Since devolution.

Andrew Wilson: It passed me by.

The table on page 86 contains a reference to "Increase in retained income". What is the retained income to the Scottish Executive administration? What is the source?

Graeme Dickson: The reference is to increased income from outward secondments. When our staff are seconded, we get money back from the employers.

Andrew Wilson: Oh, right. That is a good idea.

The Convener: I have a question on the same table in regard to the figure for the transfer of capital budget to current budget as a result of the refurbishment of St Andrew's House. It is a fine art deco building and I hope that the refurbishment will maintain that. Where do the costs stand for that refurbishment, which seems to have been going on for some time?

Peter Peacock: Do you mean the overall cost of the total refurbishment?

The Convener: Yes, what is it costing?

Peter Peacock: We will have to come back to you on the full amount.

The Convener: I accept that. It just caught my eye.

Peter Peacock: It was simply a transfer between capital and revenue.

Graeme Dickson: We are preparing a note on the full costs for the convener on the back of last week's debate on the Budget (Scotland) (No 2) Bill.

Mr Davidson: On the same point, will the note refer to the costs of the move out of New St Andrew's House?

Peter Peacock: That move took place some time ago. I am not sure how relevant that information would be to the costs of the current refurbishment of St Andrew's House, which would have taken place irrespective of what happened to New St Andrew's House. I imagine that most of the staff transferred to Victoria Quay.

Mr Davidson: I understand that there was some continuing liability for the building.

Peter Peacock: Do you mean continuing liability for New St Andrew's House, while we transferred that asset?

Mr Davidson: Yes.

Peter Peacock: I am not sure. We would have to check that.

12:00

Graeme Dickson: The note that we are preparing includes the costs of acquiring Victoria Quay, but we could ask whether David Davidson's point on New St Andrew's House could be included.

David Palmer: I speak strictly from memory, but I understood that New St Andrew's House was rented. I cannot believe that there was any continuing liability.

The Convener: Yes, I believe that the company that owned the St James shopping centre also owned New St Andrew's House. I seem to remember some wrangle about that.

David Palmer: I will check, but I do not think that there was any continuing liability.

The Convener: We will move on quickly. The next sections are on the Crown Office and procurator fiscal service, on page 90, and the General Register Office for Scotland, on page 94. It might save time if I were to ask members if they have points that they wish to make on any of the remaining sections.

Andrew Wilson: I am sure that this means nothing in particular, but page 102, on the Scottish Executive secretariat, tells us that the budget revision increases the departmental expenditure limit by £1.7 million, but no breakdown or reason for that change is given.

Peter Peacock: That must be one of those well-known typing errors.

Andrew Wilson: That snookers my next question. Where are special advisers and related activities covered in the budget? Do they come under the figures for the secretariat, or do they fall under those for administration?

Graeme Dickson: They come under the main Scottish Executive administration budget.

Peter Peacock: I wish to clarify what is said on page 102. We dealt with that matter during the autumn revision. It was left over after that.

The Convener: I give members a final chance to raise points about the remaining sections.

As there are no such points, I thank the minister and his officials for their assistance in answering questions. We look forward to receiving those answers that are to be provided in writing.

I invite the minister to move motion S1M-1600.

Peter Peacock: I move,

That the Finance Committee recommends that the draft Budget (Scotland) Act 2000 (Amendment) (No 2) Order 2001 be approved.

The Convener: The question is, that motion S1M-1600, in the name of Angus MacKay, be agreed to. Are we agreed?

Motion agreed to.

The Convener: Thank you, minister. I should have welcomed you on your first visit to the Finance Committee. We look forward to seeing you on future occasions.

Housing (Scotland) Bill

The Convener: The committee will now return to agenda item 4, on the Housing (Scotland) Bill, which we did not manage to reach earlier. Members will have noted that the financial memorandum begins on page 29 of the explanatory notes. There is not a great deal on additional costs—the new housing partnership appears to be the main issue. Do members wish to comment?

Andrew Wilson: The financial memorandum makes it clear that the bill is substantial and has significant implications for the budgets of the Executive, local authorities and others. As with the Education (Graduate Endowment and Student Support) (Scotland) (No 2) Bill, no attempt has been made to indicate the scope of the costs.

The memorandum makes the reasonable point that the implications depend on the take-up from local authorities and other conditions. Surely it should be possible to give us some idea of the best case and the worst case, or the minimum and maximum that could accrue. Could we ask to be given a range? The only specifics that we have are the existing budgets under new housing partnerships, which do not tell us a great deal about the bill.

The Convener: We could seek that information. I draw members' attention to the fact that the Minister for Social Justice, Jackie Baillie, will give evidence on the bill to the Social Justice Committee on 14 February. If members have any questions, they might avail themselves of the opportunity of joining that meeting. I intend to do that, because I have been following the bill rather closely. Some members could write to the Social Justice Committee and try to arrange for the required information to emerge when the minister gives evidence. I am not clear about what Andrew Wilson is suggesting. Should we invite the minister or her officials to give evidence, or can we deal with your query in writing?

Andrew Wilson: It was not a precedent, but the response that we received to our request for information on the Education (Graduate Endowment and Student Support) (Scotland) (No 2) Bill was full and first class. If we received something along the same lines—taking into account the fact that ranges are to be provided, as with the graduate endowment—that would be adequate. If an official gave evidence to supplement the document, that would be great, but I am not fussed about that. I simply want guidance about the potential implications.

The Convener: Perhaps we could ask for written information. When we receive that, we can consider whether we want to ask more questions. I am pretty sure that we will get what we need in writing.

Elaine Thomson: The issue has been discussed several times and ministers have made several suggestions. Could we suggest to ministers that they review how some of the information is presented, especially as we were extremely happy with the information that we eventually received on the graduate endowment? We could ask them to consider the issue and make some progress for all future bills.

The Convener: That is becoming a well-worn record. Every time that we see a financial memorandum, we say the same thing, yet we seem no nearer to divesting ourselves of the responsibility. We can make a pretty firm case.

I seem to remember—if I am wrong, Callum Thomson will keep me right—that we said after discussing the Education (Graduate Endowment and Student Support) (Scotland) (No 2) Bill that we wanted to write to the Minister for Finance and Local Government to underline the commitment that we felt that we had from his predecessor. That does not seem to have been followed through in the presentation of information that accompanies bills. I think that we agreed to do that, so we will do that. The information with the Housing (Scotland) Bill is more ammunition in our locker.

Mr Davidson: I agree. The issue has arisen time and again. Many open-ended commitments appear without any descriptions. We ought to have a written agreement with the relevant minister, because if another committee inherits the work, it will be in the same position as us. We have a duty, throughout the budget process, to ensure that the other committees can work easily within the structure.

The Convener: Do not forget that we will keep an eye on the accompanying documents in the future. If we get our way, we will pass formal responsibility to the subject committee, but we will retain the right to call in any document that we feel is worthy of scrutiny.

Elaine Thomson: Do we know what progress is being made to pass consideration to subject committees?

The Convener: The issue is still active. A working group, of which Callum Thomson is a member, is still considering it.

Callum Thomson (Clerk): The working group is due to have another meeting tomorrow, at which we hope to discuss possible wordings for the revisions to standing orders. Things are moving, but not as quickly as the committee would like them to.

The Convener: We will seek information, as Andrew Wilson suggested, and place the item on next week's agenda, when we can evaluate the information that we have received.

We proceed now to agenda item 6, on the paper from the conveners liaison group, which the committee agreed to discuss in private.

12:09

Meeting continued in private until 12:23.

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