FINANCE COMMITTEE

Tuesday 13 March 2001
(*Morning*)

£5.00

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by The Stationery Office Ltd.

Her Majesty's Stationery Office is independent of and separate from the company now trading as The Stationery Office Ltd, which is responsible for printing and publishing Scottish Parliamentary Corporate Body publications.

CONTENTS

Tuesday 13 March 2001

FINANCE COMMITTEE
7th 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

WITNESSES

John Aldridge (Scottish Executive Health Department)
Dr Aileen Keel (Deputy Chief Medical Officer)
Angus Macmillan Douglas (Scottish National Blood Transfusion Service)
Dr Bob Perry (Protein Fractionation Centre)

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McInally

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 13 March 2001

(*Morning*)

[THE CONVENER *opened the meeting at 10:07*]

The Convener (Mike Watson): Good morning. I call this meeting of the Finance Committee to order. I remind everybody that mobile phones should be switched off and that pagers should be switched to vibrate—or whatever else they do that does not involve a ring.

We have received apologies from Donald Gorrie, who is attending to business at Westminster; from Elaine Thomson, who has not yet shaken off the flu, and from Adam Ingram. We understand that Richard Simpson will be coming.

Does the committee agree to take agenda items 7, 8 and 9 in private?

Members *indicated agreement.*

Proposed Contingent Liabilities

The Convener: Agenda item 2 is on proposed contingent liabilities, one of which we discussed last week. We have with us today Dr Aileen Keel, who is the deputy chief medical officer; John Aldridge, who is director of finance in the Scottish Executive health department; Angus Macmillan Douglas, who is director of the Scottish National Blood Transfusion Service and Dr Bob Perry, who is director of the protein fractionation centre. Thank you all for being with us today.

I understand that Mr Macmillan Douglas will give an opening statement. No doubt, you will have seen the *Official Report* of the points that members raised last week.

Angus Macmillan Douglas (Scottish National Blood Transfusion Service): Yes, I have.

The Convener: Your written submission has already answered some of our points, but it will be helpful to hear your opening statement.

Angus Macmillan Douglas: In our submission, we refer to clinical trials that are essential to allowing the Scottish National Blood Transfusion Service to provide updated products for patients who are being treated under the national health service in Scotland. That is a core business of the blood transfusion service. The clinical trials must be carried out or the product will not be licensed by the regulators for use. It is therefore essential that we carry out clinical trials.

The products that we are discussing are for use by NHS patients in Scotland. If the SNBTS could not update its products, it would not be able to provide a world-class service to Scottish patients. In effect, it would lose its reason for existence. That would disadvantage the NHS in Scotland because, as well as being of very high quality, our products are produced economically.

As the clinical trials are carried out in the UK for the benefit of patients to be treated under the NHS, the blood transfusion service does not normally take out commercial insurance. If members wish, we can discuss that more fully. We can also talk about the level of risk that is involved.

The Convener: The *Official Report* of last week's meeting shows that two particular points were raised—on quantifying liability and on sharing risks. To a large extent, the Scottish Executive memorandum that has been submitted by Mrs Sandra Falconer deals with those points. However, Andrew Wilson has previously raised a number of points and, following Mr Macmillan Douglas's statement and Mrs Falconer's memorandum, he may wish to follow up on some of them.

Andrew Wilson (Central Scotland) (SNP): The memorandum helpfully clarifies the issue. The two outstanding issues that I am interested in are not really for today's witnesses. They are more general and concern entering into unlimited liabilities. The committee ought to consider that matter closely, perhaps as a future agenda item. In this particular case—indeed, in any of the cases that we are considering—the risks are not significant; but I wonder whether that is particularly diligent.

On risk, the memorandum mentions "Government Accounting 27.2.6". Is that a rule or a code of practice?

John Aldridge (Scottish Executive Health Department): "Government Accounting" is a set of rules on how Government carries out its business.

Andrew Wilson: According to the memorandum, SNBTS does not buy any insurance products.

John Aldridge: Indeed. Public bodies do not buy commercial insurance products for their day-to-day businesses. However, commercial insurance is sometimes appropriate when public bodies carry out income-generating activities.

Andrew Wilson: Are the clinical trials income-generating activities?

John Aldridge: They are not.

The Convener: We may discuss that during the next part of this agenda item.

Mr David Davidson (North-East Scotland) (Con): I am sorry, but I was not at the meeting last week. Mr Macmillan Douglas spoke about cost-effectiveness. As far as the health service is concerned, I presume that cost-effectiveness means that a comparable product cannot be sourced at a better price or with a better continuous supply.

Angus Macmillan Douglas: That is right.

Mr Davidson: To what extent do clinical trials develop the skills base in pharmaceutical and biomedical activity? There are questions to be asked. If we are considering risk to the public purse—it is being suggested that there is a risk—we must consider the issues in the round, not only this activity in isolation. Andrew Wilson has raised a point on the cumulative effect of public indemnity across public services. That is an issue, although perhaps not necessarily one for Mr Macmillan Douglas to answer. Can you assure the committee of the long-term effectiveness of the SNBTS's activities?

Angus Macmillan Douglas: I can start to answer those points, and I am sure that Dr Perry will be able to go into more detail—especially on the benefits to the Scottish biotechnology industry.

We contributed to an investigation by the UK Treasury about two years ago, which compared our cost-effectiveness with that of our English sister organisation. We were found to be very cost-effective when compared with other suppliers. When considering our own management, we have analysed our return on public assets. Although that return varies from year to year, as it would in any activity, we have a positive return on capital employed, if one judges our products to be priced as competitors' products are.

10:15

Mr Davidson: I would like to take up the point about your sister organisation, as you call it, for England and Wales. Does the Scottish activity have a competitive advantage over the rest of the UK?

Angus Macmillan Douglas: We believe that it does for two reasons, which Dr Perry can expand on. First, we produce a lot of our own intellectual property; the service in England and Wales does so, as I understand it, to a lesser degree. Secondly, we are more cost-competitive than the service in England and Wales, so we believe that we are in good shape when compared to it. Of course, without representatives from that organisation being here, the debate is slightly one-sided.

Mr Davidson: In other words, there is a potential for revenue-raising activity through your activities.

Angus Macmillan Douglas: We believe that that is true outwith the UK. Our service offers high quality and is cost effective in an industry in which those two things are key.

Mr Davidson: So there is an opportunity to sell into the whole UK market, but that would be for profit. Presumably, in future, if that activity took place, you would be talking about commercial insurance, rather than public indemnity.

Angus Macmillan Douglas: I said that that was true outwith the UK. At the moment, we do not indulge in competitive sales within the UK against another public sector organisation. That is a matter of policy for people whose position is rather above mine to decide upon. However, we are certainly well positioned to provide products outwith the UK and to provide intellectual property transfers outwith the UK. That is what the Egyptian contract—the next item on the committee's agenda—is about. To answer David Davidson's specific question: yes, we would go for commercial insurance in those cases.

The Convener: One of the answers in Mrs Falconer's memorandum is a response to a point that Richard Simpson raised last week. He said:

"The Executive should specify the liability for each trial".—[*Official Report*, *Finance Committee*, 6 March 2001; c 1149.]

The response states:

"This would involve in its turn setting a limit for clinicians and patients, which is outwith standard industry practice (for example, guidelines from the Association of the British Pharmaceutical Industry do not allow for the specification of a limit)."

Just because the Association of the British Pharmaceutical Industry does not allow for that, would that necessarily stop the Scottish Executive health department from setting a limit?

John Aldridge: Strictly speaking, no—it would not prevent the health department from setting a limit. However, we try to stick to the rules of organisations such as the ABPI so that we can achieve consistency throughout the UK.

The Convener: I said last week that we expected that you might come back to us annually in relation to future clinical trials. However, the memorandum states:

"The list of this year's trials was indicative; it was not the intention to seek approval for clinical trial indemnities on an annual basis."

You have outlined seven such trials. How far into the future are you looking and how many more trials do you anticipate in the next five years?

Dr Bob Perry (Protein Fractionation Centre): The seven trials that we have listed are those that are included in the next 12 months of programming.

The Convener: They begin in the next 12 months, but they could continue for a maximum of three years.

Dr Perry: Indeed. They commence within the next 12 months, but some of them last for two or three years, depending on the nature and structure of the trial. Beyond that, we are always subjected to intense regulation by the UK Medicines Control Agency, and we are regulated by the Medicines Act 1968. Periodically, new guidelines come out that require us to make modifications to our products to enhance their safety. That often requires a specific clinical trial to ensure that no adverse events will occur as a consequence of changes to the products. There will be changes and new products will come along, but the list that has been given is of the trials that are within our close vision at the moment.

The Convener: I am slightly concerned that that is open-ended. I envisage your having to come back to the committee at some stage, rather than your saying merely that we had opened the door for you in 2001. I do not want you to think that there is no requirement to come back in the future.

Andrew Wilson: This question is for John Aldridge. A question was raised last week, and repeated a few moments ago, about the constraints that are placed on contingent liabilities that the health department or the Executive as a whole might enter into. Do you have any written guidance from anybody, including the Treasury, on the rules that govern that and the limits that are placed on you?

John Aldridge: Do you mean as regards contingent liabilities?

Andrew Wilson: Yes.

John Aldridge: There are rules about when a contingent liability must be entered into or reported. Contingent liabilities can arise in all kinds of different ways. Many arise in the course of normal business and are covered by specific legislation. Some are not covered by legislation and those cases must be reported to Parliament; there is guidance on the circumstances in which that should happen. However, there is no guidance about limiting the number or size of contingent liabilities.

Andrew Wilson: So there is no conceptual limit whatever on that?

John Aldridge: No. The argument has been that, when a contingent liability arises or is entered into, because Government, in theory, has access to the whole—

Andrew Wilson: To everything.

John Aldridge: Yes, to everything. Because the Government has access to the whole of the country's wealth, so to speak, it is argued that there is no need to put a limit on the extent to which contingent liabilities are entered into. Nevertheless, it is clear that when a contingent liability is entered into, all reasonable steps must be taken to limit the likelihood of that contingent liability coming to fruition, as is done in the case of the SNBTS contingent liabilities.

Andrew Wilson: Fascinating.

Dr Richard Simpson (Ochil) (Lab): I must apologise for being late; my train was somewhat delayed.

When we did not have a devolved Government, entering into unlimited liability against the total wealth of the country did not seem too extraordinary or outrageous. However, given that Scotland has a fixed budget, the question is worthy of further debate and consideration. Is there a similar situation in relation to devolved Governments elsewhere in Europe, such as Catalonia? Are there other devolved Governments that have a similar approach to unlimited liability against a fixed budget?

John Aldridge: I am afraid, Dr Simpson, that I do not know the answer to that question.

Dr Simpson: I am sorry—that was a slightly unfair question, but I wonder whether that matter has been considered. For commercial pharmaceutical trials, some sort of insurance or re-insurance must be entered into, although some companies are now worth more than the gross domestic products of countries, so that may not be the case. Has there been any benchmarking against commercial practice to estimate what it would cost were the Finance Committee to recommend to the Government that there should no longer be unlimited liability without taking out insurance, or at least re-insurance, on that liability?

Angus Macmillan Douglas: We have looked at that, and we have one example of such a situation. We are conducting a clinical trial outwith the UK because of a lack of patients in the UK. That trial involves approximately 30 people and deals with similar products and similar risks. The annual premium for that is £4,500.

Dr Simpson: That is helpful.

Angus Macmillan Douglas: Other parameters might be helpful to members. We have been carrying out trials for 30 years without a claim; that does not give guarantees for the future, but it is a fact. The current trial that involves the most patients is the fibrin sealant trial, which involves 90 people. If, due to some catastrophe, all 90 of those people suffered adverse effects—which is unlikely, because all 90 would not be treated at the same time—that would be the worst-case scenario. If one thinks back to the sort of damages that were paid out to people who were infected with HIV through blood products—about £40,000 per person—the amount, updated to £50,000 per person to account for inflation, would come to some £4.5 million in total.

The Convener: Richard Simpson raised a general point, which was also referred to last week. This question might perhaps be more properly directed at ministers, but now that the Scottish Parliament and Scottish Executive are in existence, has consideration been given to the fact that liability is now much more limited than it was? Of course, the Scottish budget is £19 billion and there would have to be a catastrophe for that budget to be stretched by claims, but has that matter been considered by the Executive's finance department?

John Aldridge: I do not know the answer to that question. My colleague, the principal finance officer, would have been involved in any such discussions. I have not been, but I do not know that no such discussions have taken place. However, in the event of an enormous disaster in which the resources of the Scottish Executive were stretched beyond what they could take, there is still scope for access to the UK Treasury reserve in exceptional circumstances.

The Convener: The committee is going to look at the whole question of the UK reserve and the Scottish reserve, so we shall revisit that point. Thank you for that answer.

Mr Davidson: Can you give us some comfort by describing the contractual arrangements that you enter into—in advance of their agreement to participate—with those who participate in the trials?

Dr Perry: The majority of our trials are carried out in Scotland, or in the rest of the UK if we need access to a wider group of patients. The contractual arrangements amount to a professional relationship with somebody who is described as a principal investigator. In the vast majority of—if not all—cases, the principal investigator will be a senior national health service doctor. That activity is carried out under the umbrella of the national health service.

Vast amounts of documentation are put together to define responsibilities and so on, but there is no contract, as such, between us and those who carry out the clinical trial in the national health service. As part of the national health service, we work alongside our clinical colleagues to carry out the trials of the products. All the safety and quality issues are clearly documented, and the responsibilities of the doctors to their patients are clearly defined in regulatory documentation. However, there is no formal contract between us and the other parts of the national health service that we collaborate with.

Mr Davidson: I accept that I am asking a fairly generic question, regardless of the specific item that we are discussing at the moment, but it is a matter of principle. I presume that all the patients or volunteers who are involved in trials sign some document to agree to participate.

Dr Perry: That is right.

Mr Davidson: In that documentation, is there a confirmation and definition of risk that is fully explained to patients? Is it also explained that that risk has an indemnity attached to it?

Dr Perry: The risk to patients is very clearly expressed before any patient enters into a trial. Because our products are derived from human blood, it would nowadays be extremely rare for us to enter into clinical trials on human volunteers. Healthy volunteers tend not to be part of the constituency from which we draw our patients.

10:30

Before a patient enters into a trial, they are fully informed by their treating doctor and by their responsible consultant of the risks and the

benefits, which will be carefully explained to them. They will make their decisions based on that information, and that decision is underpinned by a knowledge that they will have access to the same recourse in terms of compensation as if they were participating in a trial with GlaxoSmithKline, for example. That relates primarily to the guidelines and rules of the Association of the British Pharmaceutical Industry.

We operate within an environment and under guidelines and procedures that are broadly comparable to those of the wider pharmaceutical industry. The general view of doctors and patients is that anything less than that would be unacceptable.

Mr Davidson: Presumably, those patients are given not a limit but an unlimited indemnity, which they have to pursue through the legal system.

Dr Perry: I think that they are given an assurance that they would have access to compensation, depending on the nature of the injury. That would be pursued using the standard pharmaceutical industry guidelines. I do not have the relevant document in front of me, but I am pretty sure that there is no open statement that the state would bear unlimited liability. That would be tested through the guidelines.

For most of our trials, there would be a team of what we used to call three wise men and women, who would consider the case and judge what an appropriate settlement might be. Such processes are put in place, but there is no guarantee of unlimited access to funds.

Mr Davidson: You referred to the ABPI guidelines. Do they infer some limitation?

Dr Perry: My recollection is that they do not. That would be seen to be inappropriate. However, they prescribe carefully that the pay-out or compensation should be proportional to the extent of the injury that has been incurred. There are various precedents in the courts, I imagine, on how much that might be.

The Convener: Are members in agreement that we should approve the minute in the name of the Scottish Executive health department?

Members *indicated agreement*.

The Convener: The second minute is on the proposed contract with Egypt. Do you wish to make an opening statement?

Angus Macmillan Douglas: Yes, I will make a short opening statement.

Members may recall that we gave evidence to the committee about a year ago on a contract with a company in Turkey. This is all part of an SNBTS policy to make full use of its public assets. In the case of Egypt, those public assets are our intellectual property, to which we have referred.

The Egyptian Organisation for Biological Products and Vaccine, otherwise known as Vacsera, is wholly owned by the Egyptian Government. The organisation makes vaccines and blood products in Egypt. The Egyptian Government wishes to update its medical care, particularly with regard to blood products. Vacsera approached us about whether we could license intellectual property, particularly for coagulation products for haemophiliacs, for albumen for burns and for other products.

We are not the only people whom Vacsera approached—the market is competitive—but we believe that we are the lead organisation. Such contracts are in line with our policy of making full use of the public money that is invested in our service. There is a contingent liability. It is not a manufacturer's liability, because the manufacturer is Vacsera, in Egypt. The liability relates to the design of the product, and we have taken out the insurance to cover that.

The Convener: The memorandum, which is, again, in the name of Sandra Falconer, says that "VACSERA has … approached SNBTS"—in effect, for SNBTS to tender for the service. Obviously, you were successful.

Angus Macmillan Douglas: We were indeed approached. I do not think that there was a completely formal tender process.

The Convener: But you said that others were also approached—presumably other organisations in other countries.

Angus Macmillan Douglas: Yes. Our sister organisation south of the border was approached, as was another European organisation. Vacsera is a prestigious organisation in Egypt, so quite a number of companies would like to enter into partnerships and commercial relationships with it.

Dr Simpson: I congratulate SNBTS. The contract is exactly the sort of development that we want to see. It is to be hoped that there will be many more such developments—they should be encouraged. I have no negative comments, nor questions.

The Convener: I echo Richard Simpson's comments. Paragraph 3 of the minute says:

"The potential income from similar contracts is considered to be around £7.5m p.a. or 15% of SNBTS' annual budget."

What do you have in mind? Can you give us any idea of what might flow from that?

Angus Macmillan Douglas: The £7.5 million per annum is what we earn at the moment from our contracts outwith the health service. We have a contract with Taiwan, under which we fractionate

Taiwanese plasma and return it to Taiwan. We sell surplus products to a company in Turkey, to which, as members will remember, we have referred previously.

The Convener: May I stop you there? I am pleased to hear that, but the £7.5 million is described as "potential income". Does that mean a further £7.5 million on top of the £7.5 million that you already earn? Perhaps that is too ambitious, but it appeared from the minute that the sum was forward looking, not what was already on the books.

Angus Macmillan Douglas: You are absolutely right to mention that. The income is potential. We hope that it will continue and that it will grow in future. The figure of £7.5 million, to be strictly accurate, is what we earn at the moment.

The Convener: Thank you for clarifying that.

Mr Davidson: In paragraph 3 of the minute, the £1.7 million is described as the

"Estimated gross income from this contract".

What is the net benefit to the organisation? Do you have a handle on that?

Angus Macmillan Douglas: It is £1.2 million. The reason for the high mark-up is that most research and development is a sunk cost. There are some costs in training the Egyptians to use our processes, including a certain amount of teaching. In our business case, the net profit is £1.2 million.

Mr Davidson: Very good. Like Richard Simpson, I am supportive of your activities in this field.

Angus Macmillan Douglas: Thank you.

The Convener: Are members in agreement that we should approve the minute in the name of the Scottish Executive health department?

Members *indicated agreement*.

The Convener: As I have done on previous similar occasions, I will write to the Minister for Health and Community Care to inform her of that. Thank you for taking the time to come to today's meeting and for giving us your evidence.

Convention Rights (Compliance) (Scotland) Bill

The Convener: Item 3 is consideration of the financial aspects of the Convention Rights (Compliance) (Scotland) Bill. The financial memorandum is right at the end of the explanatory notes, and is rather thinner than the memorandums that we have been used to. Very little additional expenditure is involved, and that which there is relates mainly to the sentence and release of life prisoners.

Andrew Wilson: The financial memorandum is thinner, but it is comprehensive. I do not think that there is anything about it that we need to highlight.

The Convener: I did not use "thinner" in a pejorative sense.

Andrew Wilson: "Thinner" is not pejorative in my view.

The Convener: Well, we have used it pejoratively on previous occasions, with regard to the amount of information that has been made available to us. The information in this memorandum seems to inform us adequately of the bill's financial implications.

If there are no further comments, I propose that we simply agree that a financial resolution is required for the Convention Rights (Compliance) (Scotland) Bill.

Members *indicated agreement*.

Scottish Parliamentary Corporate Body (Expenditure Plan)

The Convener: Item 4 is the Scottish Parliamentary Corporate Body's provisional expenditure plan for 2002-03. The letter from the Presiding Officer is quite clear. He highlights the increase of about £9.7 million from the estimate that we received from the corporate body last year. He goes on to explain that this

"Capital expenditure of £9.7 million has now been accelerated from 2003-04 to 2002-03."

We may wish to note the penultimate paragraph, on the second page of the letter, on the Holyrood progress group. In particular, we may wish to note the part that says:

"Additional resources will be required".

No doubt David Davidson has taken note of that. Does he wish to comment on that, or indeed any other, aspect of the project?

Mr Davidson: I appreciate the committee's confidence in appointing me as reporter to consider the effect of the Holyrood project on the Scottish budget. I have discussed with the clerk an avenue of approach that I intend to take shortly, depending on the availability of witnesses. In real terms, and as regards the paper in front of us today, it is a matter of the £9.7 million being brought forward from within the vote of £195 million. The progress group's talk of inflationary pressures is something else that we will have to address in the near future. That will require the taking of further evidence from the HPG.

My one point, which I mentioned to the clerk earlier this morning, concerns the introduction of capital charges with regard to resource accounting and budgeting. Presumably, that will be seen as a revenue item, which is nothing to do with the capital vote that came from the Parliament. That is something that I would want to discuss with the HPG, with regard to whether the level of charges is appropriate to the type of project.

The Convener: Are you referring to the capital charges shown?

Mr Davidson: I am referring to the projected ones.

The Convener: The charges for the three financial years?

Mr Davidson: Yes.

Andrew Wilson: I do not think that the increase of £9.7 million is really a concern, given that it is a carry-forward or re-phasing. However, it would be useful to find out, if that is feasible, whether the entire underspend is being carried forward, or only one portion.

The inflationary aspects have been discussed at previous committee meetings, and are something for David Davidson to consider closely and separately. They are not yet a question for our budget, as there are no specific proposals in the budget to deal with them.

A few points arise from the table that is attached to document FI/01/7/8. The first is on capital charges. A footnote to the table for the operating budget states:

"Capital charges were introduced … to reflect the depreciation"

as well as the cost of capital. I am not sure that that is strictly accurate, and I wonder whether we could seek clarification from the SPCB as to how the capital charges break down. They rise to nearly £20 million in 2003-04—and we should bear in mind that we are charging at 6 per cent. I am not sure how the SPCB is valuing the estate.

It would be useful to know how the capital charges have been calculated. That would be helpful for both our resource accounting and budgeting inquiry and our current discussions. How do the figures break down in terms of both depreciation and capital charges? How was the estate valued? Other than that, I have no problems with the provisional expenditure plan.

The Convener: We will ask the SPCB for that information.

The £9.7 million that Andrew Wilson mentioned at the beginning of his comments is not a carry-forward: the underspends that are referred to come under revenue. It is actually a pull-back, or draw-down, from 2002-03 to 2003-04.

Andrew Wilson: I beg your pardon; I did not see that. It is good news, then.

The Convener: I still think that it would be useful to ask what proportion of the underspends that represents. We can add that point in writing.

10:45

Mr Davidson: I remind members of my earlier comment. I want to take evidence from the SPCB on how it constructs some of its figures, because if we must predict spending, we must know its basis in any bids for which the SPCB asks for support.

The Convener: We will ask the SPCB to answer those two points.

Audit Scotland (Expenditure Plan)

The Convener: Agenda item 5 is Audit Scotland's provisional expenditure plan. The issues that relate to the plan are similar to those that we just discussed. The figure for Audit Scotland's funding requirement has slightly reduced. We shall ask to be kept informed. Does anyone have any points to raise?

Mr Davidson: I see no difficulty with the information.

The Convener: We will note the plan.

Budget Process 2002-03

The Convener: We move swiftly on to item 6. The letter from the Minister for Finance and Local Government, in response to my letter on improving the annual expenditure report, relates to this item. The letter looks rather like a company's profits warning—not because it warns about profits, but because it suggests how the new annual expenditure report will look. I am not entirely happy with it.

Mr Davidson: I think that the convener, on behalf of the committee, should ask the minister to detail how he deals with performance monitoring and how that is reviewed—even though he is building in a new system. The Executive makes decisions now. I presume that it uses some measures, otherwise it would blindly agree to votes in the budget. It would help if the minister explained what he does while we consider what he should do in the longer term.

The Convener: That is a fair point.

I realise that it will not be possible to achieve all that we have asked for in the coming year. However, I am interested in whether members share my concern that the linkage between expenditure and aims will take a few years to develop fully. That is not quite what the committee had in mind when we drew the issue to the minister's attention.

Andrew Wilson: I agree. The link should be made as soon as humanly possible. I thought that it was part of the Government's programme. It would be fine if we made that point as strongly as possible through you, convener.

Secondary to that are the other issues that we have raised consistently in the past two years. I guess from the letter that we can assume that those requests will all be accommodated, which would be a huge step in the right direction.

The Convener: We can assume that in as much as the issues are not mentioned as exceptions.

Andrew Wilson: Exactly. We can recognise that as a step forward, which is at least progress. I guess that we can keep up the pressure.

The Convener: We accept that considerable progress will take place. However, I will write on behalf of the committee to say that we need further clarification at the least about the import of some of the issues that are mentioned in the letter.

Andrew Wilson: May I seek clarification from Callum Thomson on another question? The letter says that the annual expenditure report is due to be published on 30 March. What are the committee's or the chamber's activities around

that date likely to be?

The Convener: The committee meets on 27 March. I do not think that we are scheduled to meet in the following week.

Callum Thomson (Clerk): We are now. In addition, I hope that Scottish Executive officials will give a briefing on the AER. That will be not a formal committee meeting, but an informal chance for members to tease out some of the issues.

Andrew Wilson: So we will meet in April and there will be no plenary debate on the AER until we report on it.

Callum Thomson: Exactly. That will not happen until just before the summer recess starts.

Mr Davidson: The debate raises the issue of the written agreement between us and the previous Minister for Finance. I presume that we ought to clarify that by mutually agreeing a time scale with the minister on the implementation of what we seek.

The Convener: I agree. However, we must not forget that our written agreements are not with the minister, but with the Scottish Executive—the correct way of describing it is with ministers as a whole. The agreements should not change or be open to a differing interpretation just because a new minister is in place.

Mr Davidson: I accept that, but in light of the letter, the Parliament is entitled to ask for a time scale to debate with the minister acting on behalf of the Executive.

The Convener: Would that be a time scale for the full implementation of our recommendations?

Mr Davidson: Yes.

The Convener: We will take up that point in the letter. When we receive a response, we will revisit the issue.

We move on to agenda item 7, which we have agreed to take in private.

10:50

Meeting continued in private until 12:15.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, 375 High Street, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Tuesday 20 March 2001

Members who want reprints of their speeches (within one month of the date of publication) may obtain request forms and further details from the Central Distribution Office, the Document Supply Centre or the Official Report.

PRICES AND SUBSCRIPTION RATES

DAILY EDITIONS

Single copies: £5
Meetings of the Parliament annual subscriptions: £500

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WHAT'S HAPPENING IN THE SCOTTISH PARLIAMENT, compiled by the Scottish Parliament Information Centre, contains details of past and forthcoming business and of the work of committees and gives general information on legislation and other parliamentary activity.

Single copies: £3.75
Special issue price: £5
Annual subscriptions: £150.00

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75
Annual subscriptions: £150.00

Standing orders will be accepted at the Document Supply Centre.

Published in Edinburgh by The Stationery Office Limited and available from:

The Stationery Office Bookshop
71 Lothian Road
Edinburgh EH3 9AZ
0131 228 4181 Fax 0131 622 7017

The Stationery Office Bookshops at:
123 Kingsway, London WC2B 6PQ
Tel 020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
Tel 0121 236 9696 Fax 0121 236 9699
33 Wine Street, Bristol BS1 2BQ
Tel 01179 264306 Fax 01179 294515
9-21 Princess Street, Manchester M60 8AS
Tel 0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
Tel 028 9023 8451 Fax 028 9023 5401
The Stationery Office Oriel Bookshop,
18-19 High Street, Cardiff CF12BZ
Tel 029 2039 5548 Fax 029 2038 4347

The Stationery Office Scottish Parliament Documentation Helpline may be able to assist with additional information on publications of or about the Scottish Parliament, their availability and cost:

Telephone orders and inquiries
0870 606 5566

Fax orders
0870 606 5588

The Scottish Parliament Shop
George IV Bridge
EH99 1SP
Telephone orders 0131 348 5412

sp.info@scottish.parliament.uk

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers

Printed in Scotland by The Stationery Office Limited

ISBN 0 338 000003 ISSN 1467-0178