

# **FINANCE COMMITTEE**

Tuesday 24 April 2001  
(*Morning*)

Session 1

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## FINANCE COMMITTEE

### 10<sup>th</sup> 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:

Murray McVicar (Scottish Parliament Information Centre)

#### CLERK TO THE COMMITTEE

Callum Thomson

#### SENIOR ASSISTANT CLERK

Anne Peat

#### ASSISTANT CLERK

Gerald McNally

#### LOCATION

Committee Room 4



## Scottish Parliament

### Finance Committee

*Tuesday 24 April 2001*

*(Morning)*

[THE CONVENER *opened the meeting at 10:03*]

**The Convener (Mike Watson):** Good morning, colleagues. I call this meeting of the Finance Committee to order. As usual, please ensure that all pagers are switched to vibrate and that all mobile phones are switched off.

I intimate apologies from Elaine Thomson, who is on a visit with the Enterprise and Lifelong Learning Committee. One of our advisers, Brian Ashcroft, is suffering from flu. Judging from the way I feel today, I might be about to join him.

Before I start the meeting, I want to put on the record the fact that in yesterday's editions of *The Scotsman* and *The Herald*, which members may have seen, the leader of the Scottish National Party said that he was going to write to the Secretary of State for Trade and Industry, Stephen Byers, to invite him to appear before the Finance Committee. That was kind of John Swinney, but he seems to have omitted to note that he ceased to be a member of the Finance Committee more than six months ago. Only the committee can issue such invitations and I shall write to Mr Swinney to point that out.

I invite members to agree that we should take agenda items 6 and 7 in private.

**Members indicated agreement.**

## International Criminal Court (Scotland) Bill

**The Convener:** The next item is the International Criminal Court (Scotland) Bill. We still have responsibility for considering financial memorandums relating to bills. I understand that that is likely to continue until May, when, except in exceptional circumstances, we will cease to have that duty—that is one of a number of recommendations that the Procedures Committee has made to the Parliament.

Members will have seen the explanatory notes that accompany the bill, which include a brief financial memorandum. In the circumstances, I am tempted to say that it is not inappropriate for the financial memorandum to be so brief. Do members have other views?

**Donald Gorrie (Central Scotland) (LD):** I cannot envisage that there will be any great excitement about the financial implications, which will depend on how many war criminals we catch and put in our jails at a cost of £23,000 or whatever a head. No one can tell us how many there will be; that is not a matter for us.

On a more general note, I understand that, under the new dispensation—whatever that will be—the Finance Committee will still have an opportunity to comment on financial memorandums, although we will not be obliged to. If we feel that there is something relevant in a financial memorandum, we will be able to have a go.

I support your comment, convener, that the financial memorandum seems to be okay.

**The Convener:** Do members agree formally that a financial resolution is required for the International Criminal Court (Scotland) Bill?

**Members indicated agreement.**

## Voluntary Sector Funding

**The Convener:** Agenda item 3 is on voluntary sector funding, on which Donald Gorrie will give us an oral report.

**Donald Gorrie:** I had a long and useful telephone conversation with Jackie Baillie, who was supportive of the committee's intention to pursue the matter of voluntary sector funding, given that our efforts will tie in with those of her officials. It is proposed that we should work up a remit for such an inquiry and, as a courtesy, run our remit past her to see whether she has comments to make.

I have since held two meetings with parliamentary officials from the clerking team and the Scottish Parliament information centre. We discovered that the timetable for the Executive's investigation appears to be shorter than we had been led to believe. The Executive's consultation is to finish at the end of July. Under the rules, the consultation cannot start later than 9 May, or some time around then—that is the date that we worked out—as it must last 12 weeks. We hope that, any day now, the Executive will produce its consultation document.

It was suggested that the most sensible approach would be for us to wait until that document was published. That will enable us to target our efforts to fill the gaps that the Executive does not cover. In the meantime, we will work up questionnaires that we can send out to groups that members have visited already and to other people. That will allow us to obtain responses quickly to feed into the Executive's work and to lay the foundations should we, or the Parliament, wish to pursue the matter. We hope that before the next meeting we will know the remit of the Executive's consultation, so that we can say how best the committee's inquiry could fit in with it. We will present that to the committee in a fortnight's time.

**The Convener:** Could you do that in writing?

**Donald Gorrie:** Yes. The only snag will be if the Executive is slower than we anticipate in producing its consultation document. In that case, we may have to decide whether just to go with our remit anyway and hope for the best.

**The Convener:** We could handle a small delay in the Executive's response but, if the delay is longer, we will want to look at the issue again. However, will we receive a report from you in writing on 8 May?

**Donald Gorrie:** Yes.

**Dr Richard Simpson (Ochil) (Lab):** Can the Executive's consultation document be circulated? Not all members may want it, but I certainly want

to see a copy.

**The Convener:** The clerks will ask that copies be sent directly to us; we do not expect Donald Gorrie to do that. I thank Donald Gorrie for his report.

## Scottish Parliamentary Corporate Body (Expenditure Plan 2002-03)

**The Convener:** Item 4 concerns the Scottish Parliamentary Corporate Body's provisional expenditure plans. Members will recall that at the end of March I wrote to Sir David Steel on behalf of the committee about the capital charges element of the SPCB's budget. We asked for a breakdown of the capital charges, which are set to rise to more than £18 million in 2003-04. The SPCB's response has been included in members' papers. It seems to me that the information that we sought has been provided, but I invite members' comments.

**Donald Gorrie:** The minor change in timetabling, which is referred to in the second last paragraph, seems sensible. I have no objection to it.

**The Convener:** Thank you. Members will also note that the letter questions the timing of the presentation of level 2 figures, which must be presented towards the end of the summer recess—although I am not sure when the summer recess ends. Sir David says that the projected date is currently

“by 20 August or the first sitting day thereafter.”

I understand that changing the date will require an amendment to our written agreement with the SPCB. We will move ahead with that. Has the Scottish Commission for Public Audit intimated that it will be in a similar position with regard to the date by which it will submit its figures to us?

**Callum Thomson (Clerk):** The same problem probably holds for that body, too. As it is a parliamentary body, it is unlikely to be able to meet until Parliament returns in the first week of September.

**The Convener:** Are members happy for us to make those changes?

**Members indicated agreement.**

## Budget Process 2002-03

**The Convener:** I hope that members have with them their copies of the complete and the abbreviated versions of the annual expenditure report. Murray McVicar, from the Scottish Parliament information centre, has provided a copy of his paper on the AER, which it would be helpful if he would talk us through.

10:15

**Murray McVicar (Scottish Parliament Information Centre):** In the absence of poor Brian Ashcroft, who has been stricken, I have done some fairly basic analysis on the AER, which was published in March.

When one carries out such an exercise covering a four-year period, it is always difficult to know what to compare things with—what to use as the base year and the end year. For most of the analysis, I have compared 2002-03—the year that we are scrutinising—with the plans for this year, 2001-02. Clearly, further analysis going back to 2000-01 can be done if members would find that helpful. All the figures are in 1999-2000 prices, to enable real comparisons to be made across the years.

Table 1 on page 2 is almost identical to the Executive's real-terms table in the annual expenditure report. The main message is the real-terms increase of 14.5 per cent over the four years. Between 2001-02 and 2002-03, there will be a planned real-terms increase of about £660 million. At the bottom of the table, there is a breakdown of the percentage increase for each year. The £660 million in 2001-02 represents a 3.5 per cent increase in real terms.

In charts 1, 2 and 3, I have tried to represent pictorially some of the changes in expenditure. Chart 1 examines the changes in planned expenditure in real-terms cash for each of the level 1 programmes. As members can see, the big increases will be in health and central Government support for local authorities. That is hardly surprising, as those are the biggest parts of the budget. The children and central Government education budget receives a fairly substantial increase and the social justice and transport budgets are also up.

Enterprise and lifelong learning appears to be the biggest loser over the two years, with a budget drop of £55 million. However, an explanatory line in the detail of the AER suggests that in 2001-02 there was planned provision for £57 million of bad debts, which are now not expected to have to be met. There is likely to be a revision of the 2001-02 plans to account for that. That would account for

the decrease in the enterprise and lifelong learning budget, leaving neither an increase nor a decrease in the total.

Chart 2 indicates the real-terms percentage increase in a programme from the year before. The biggest increases are in the departmental expenditure limit reserve and community care, but that is from relatively low starting points and the figures are subject to rounding error. We should consider the main expenditure programmes: the budget for children and central Government education is up by 15 per cent and the Scottish Parliament budget is up by 9 per cent. The budgets for some of the big programmes, such as health, have increased by more than the average increase across the whole budget, which is 3.5 per cent. The biggest decrease is in the budgets for the Scottish Executive associated departments, which are down by 19 per cent.

Chart 3 is an attempt to break down the £660 million increase in real terms in order to show which programmes get the biggest share. As members can see from the chart, everything above zero represents the programmes that gain. The figures do not round up to 100 per cent, but are broadly accurate. Health and local government are the big gainers.

Another way to consider the budget is not to examine absolute increases but to examine each programme as a percentage of the total budget and how that varies over the four years. I tried to represent that in the form of a graph, but it was too horrible to contemplate, which is why there is a rather boring table—table 2. For each year, each programme is represented as a percentage share of the total programme-managed expenditure. Most remain fairly static, but the grey column represents 2001-02 as opposed to 2002-03. Health is a big gainer: in 2001-02 its share was 30.81 per cent of the budget, whereas in 2002-03 its share is 31.21 per cent of the budget. Enterprise and lifelong learning looks like the big loser, but I remind members of the comments in the expenditure report about the planned provision for £57 million of bad debts, which are now not expected to have to be met.

Finally, I thought that I would compare the report with previous plans. "Investing in You" contains no figures for 2002-03 and was pre-resource accounting and budgeting, so comparisons with it would be difficult. I compared the report with the figures in "Making a Difference for Scotland", which was published in September.

There is little change for most programmes between the planned expenditure announced in September and that announced last month. The big differences are in transport, whose budget is up by more than £100 million, and in central Government expenditure on education and

environment, whose budgets are down considerably. I suspect that the education figure is to do with the transfers of teachers' pay to local government, but I am not sure why there is such a big difference in the environment expenditure. That is a way of analysing the changes in plans over the six or seven months since the publication of "Making a Difference for Scotland".

My paper is intended to help members to get started in their consideration of the budget, because I know that they will be coming to it fairly cold after Easter. We can do whatever else members would find helpful. For example, I could take the start date back to 2000 to make comparisons or I could compare all four years with "Making a Difference for Scotland".

**The Convener:** Thank you. It is helpful to have the comparison with "Making a Difference for Scotland", although if the Executive had known that you were going to make the name of the document into an acronym—"MaD"—it might have chosen a different title. Nonetheless, your paper is helpful and will make such comparisons easier in future. Do members have specific points about what Murray McVicar has said? Do we think that further comparisons are necessary?

**Mr David Davidson (North-East Scotland) (Con):** In the early days of the Parliament, SPICe kindly assisted me by producing a spreadsheet of the Scottish budget. Is SPICe upgrading that as announcements are made?

**Murray McVicar:** No. That was done by my predecessor, who dealt with finance in the early days of the Parliament. I cannot remember what was involved in the project, but it is not on-going. We could perhaps do something similar, but I would have to investigate what that would involve.

**Mr Davidson:** The working spreadsheet of the whole of the Scottish budget was created because all the departments were doing their own thing in their own way. We will presumably get uniformity with the move to RAB, but it would be helpful if such a device existed. I found it especially difficult, not having enough research capacity of my own, to find out the figures in that way. I wondered whether SPICe would care to consider—obviously you have to consider what would be involved in costs and in time—making a running estimation. Such a statistical comparison would be helpful, especially when additional moneys are granted in part-year announcements from Westminster and within the Executive.

**Murray McVicar:** I would plan to do something on end-year flexibilities and additional money announcements. I will discuss the spreadsheet with Simon Wakefield, who created the original one, and see whether we can produce an update.

**The Convener:** The points that the committee



raised about end-year flexibility and capital charging have been taken on board. I think that it was Elaine Thomson who mentioned graphics. The secondary report, as it were, meets many of the points that we made.

**Andrew Wilson (Central Scotland) (SNP):** May I ask your advice on what form you want this discussion to take? Are we just making general comments at this point?

**The Convener:** Yes. We must decide how we develop our scrutiny. We might want to consider preparing for our roles as reporters to the various committees. At the moment, we are making general comments rather than specific points. The figures do not add up in one or two cases, but I expect individual subject committees to address those points in their reports; if they do not, we could sweep them up into ours. The anomalies might be typographical errors; there does not seem to be anything major.

**Andrew Wilson:** There are a number of points that we might want to put into our report into the overall budget process. The way the budget document is set out this year is a step forward. That has to be recognised. There is more information in it, which is good, and the summary tables at the front are much better, although I still find it difficult to piece them all together. We can return to that point, even if not in this context.

I would like to raise the issue of the private finance initiative, which was missing last year and has waltzed again this time. Given that we are about to commence an inquiry, we will want to make our views about PFI known to the Executive. Murray McVicar's stuff is fantastic; it is exactly the sort of information we need. It would be useful for us to let the Executive know that that is the sort of information we would like to see published as it emerges. The information on sources of income, which we requested in a letter to the minister, has not shown its face. We may want to return to that.

The only point of significance for us to consider, beyond the subject committees' interests, is what happens at the start of the report with the summary tables. No one else will take an interest in that. The other question is that of reserves, which are made starkly obvious this time. For the first time, the annually managed expenditure reserve is identified in the report, although we know nothing about why it is there, what rules govern its use and so forth.

Over the past couple of weeks, I have looked at the rules governing access to the UK reserve. I question the sense of having reserves in the Scottish budget. The explanatory notes to the UK reserve say that the reserve can be accessed in an emergency when no other funds are available. If we are setting funds aside from what should be

Barnett equivalents for spending on direct expenditure—equivalent to other Parliaments in the rest of the UK—we are creating a rock to hit ourselves with in an emergency. I wonder where the logic of the growth in the reserve has come from. There may be a good case for the AME reserve, but I have yet to see it argued properly. Do we get an opportunity to question the minister on the details of the report at any point?

**The Convener:** Yes, we will do so on 8 June.

**Donald Gorrie:** I have two questions that will reveal the angle of my learning curve. What exactly are the associated departments? They seem to be getting less money. Should I be worried or are they wicked quangos that should not have any money anyway?

**Murray McVicar:** The associated departments are Registers of Scotland, which is an executive agency, and the general register office for Scotland and the national archives of Scotland, which are departments of the Scottish Administration.

**Donald Gorrie:** As a sort of would-be historian, I would have thought that cutting the funding for such bodies was rather bad.

I am one of those members who believes that the way the figures for local government are presented conceals the fact that, while education has welcomely—if there is such a word—got an increase, a lot of other local government services have not. Is it possible to separate education from what Mr Alastair Campbell might call the bog-standard local government services? Central Government support for local services is going up a lot, but it may be that all of that, plus more, is going to education. That would mean a minus for the other services. It would be useful to know that.

**Murray McVicar:** The problem with local government expenditure is that local authorities are free to spend as they want. Although aggregate external finance is allocated on the basis of grant-aided expenditure, that is done as a guideline and not as a fixed requirement of central Government as to what local authorities should be spending on different services. It would be possible to identify GAE for the services that local authorities provide.

**Donald Gorrie:** That would be helpful, but the Executive or the Parliament should make a particular effort to discover from councils how the money is being spent.

**Murray McVicar:** That is done, but there is a considerable backlog. It takes quite a while for it to be audited and finalised. I think that there is a two-year backlog, as the most up-to-date figures that are available are for 1999-2000.

10:30

**Andrew Wilson:** That may be something we should ask the reporter with the Local Government Committee to take an interest in. I agree with Mr Gorrie's point and I understand that that committee will conduct a review of local government finance.

**Mr Davidson:** The Convention of Scottish Local Authorities has already done a lot of work on the matter.

**Andrew Wilson:** We should ask the reporter to consider the matter when reporting back to us so that it appears in the budget debates. It is a point of substantial import.

**Donald Gorrie:** The Executive has promised money to help the rural community, which has been affected by the present disasters, and will, no doubt, produce more money. Would such money come from the rural development department budget or from a general reserve of the sort that Andrew Wilson referred to? How are such shipwrecks dealt with financially?

**Murray McVicar:** The press had estimates of £100 million a few days ago. Some of that money will presumably come from the UK reserve, but that is only a guess as I do not know.

**Mr Adam Ingram (South of Scotland) (SNP):** Other members have covered many of the points that I wanted to make.

On the discrepancies in the figures, there is nothing more annoying than trying to make figures such as these add up correctly across tables. Is there any pattern to it at all, Murray?

**Murray McVicar:** No. Some of the discrepancies are small and are probably as much to do with rounding off as anything else. Also, there can be a confusion between plans and outturns. Most of the figures are plans, but there might be some outturns in there as well. In that way, finalised figures would creep into the numbers. It is sometimes difficult to track with confidence whether you are comparing like with like, but in a document such as this, which was produced quickly and which gathers information from many departments, some discrepancies might be expected. When you are dealing with many departments, it is difficult to get them to present their figures in the same way.

**Mr Ingram:** In the interests of transparency, it is important that such problems be sorted out. If there is a problem within the departments, they should be asked to examine it.

**Murray McVicar:** In those terms, this document is an improvement on "Investing in You".

**Andrew Wilson:** It is not clear which numbers are the real-terms numbers. The real-terms table

does not work with the cash tables. Also, it is not clear how tables 1 to 6 add up to arrive at their totals. Those might be minor, pedantic points, but it would be nice to have some guidance on them.

**Mr Ingram:** When we sit down to study the document, such points throw us off track.

**The Convener:** That is a general point that we should put in our review of the process. However, if there are specific points, they would be included in our stage 1 report.

**Andrew Wilson:** It would be useful if an e-mail could be sent to the committee explaining how the first six tables hang together and what figures add up to make the total.

**Mr Davidson:** Convener, you mentioned the work that must be done with the various committees to which we have been allocated as reporters. I have to start this afternoon with the Enterprise and Lifelong Learning Committee. I have just got off a train—I apologise for being a little late—to find that I have a message from Alex Neil, the convener of the Enterprise and Lifelong Learning Committee, asking for a chat in advance of the meeting about what he should be doing in relation to our role and seeking clarification of what our role is. I am not sure what that committee has been told about what we are doing. I thought that we intended to listen to how committees go about their consideration and to give advice if they head off into cul de sacs.

**The Convener:** Written advice is sent to all the committees. That happened last year and I assume that such advice has been sent out this year. I do not know why the convener of the Enterprise and Lifelong Learning Committee has not seen that advice. The clerk to the committee will have seen it.

**Mr Davidson:** I am not saying that he has not seen it. I do not know what he has seen.

**The Convener:** Was he clarifying your role as a reporter?

**Mr Davidson:** His message asked me to meet him before that committee's meeting started this afternoon, to go through my role and what I am able to do for the committee.

**The Convener:** So it did not concern specifically what the committee should be doing.

**Mr Davidson:** No, not the general documents that were circulated. I do not know what guidance has been given.

**The Convener:** I am not sure whether any guidance has been given.

**Callum Thomson:** Bearing in mind the tight time scale to which they are working, the intention is that reporters work primarily for the Finance

Committee, not for the subject committees. Clerks have been advised of that. Reporters' reports are due by 31 May and the committee will consider them on 4 June. It would help if members were up to speed on the various issues that have emerged during the subject committees' consideration of the budget process so that discussion of those issues may be rehearsed in the Finance Committee before it receives those reports. I told clerks that members of the Finance Committee would be able to advise their colleagues on the subject committees on matters of procedure and terminology as a result of their greater expertise in those areas.

**The Convener:** That information should be available, but it would be helpful to clarify things. Have any other members had similar discussions with the conveners of subject committees?

**Members indicated disagreement.**

**The Convener:** What else do we need to do?

**Dr Simpson:** I presume that the areas that are solely the concern of this committee are Executive administration, Scottish Executive associated departments and the Scottish Public Pensions Agency, and the Scottish Parliament and Audit Scotland, which we have already talked about.

I would like to gain a better understanding of the SPPA. Was it formerly a centrally controlled item? Was it devolved separately? The whole public pensions scheme is a notional scheme that drifts along on an actuarial basis. It would help if we got a note on how the SPPA works. There is an expected reduction in its budget, which is surprising in light of the number of teachers and doctors who are leaving the service younger than one might have expected. I am surprised that the budget figures for the SPPA are going down and not up.

I agree with Andrew Wilson: I am concerned that the current situation regarding foot-and-mouth disease will result in a substantial proportion of our new reserve being taken up in year 1, although the money will come from the UK reserve in every other respect. We have asked repeatedly for clarification of the relationship between our reserve and the UK reserve, but we have not yet received a satisfactory answer.

Andrew Wilson's point is well made: the UK reserve can be accessed only in the event of our having no more money left, but if we are treated like a department we will have money left that we will be required to use before we can access the UK reserve. I am still not satisfied that that situation is in hand.

Likewise, when Jack McConnell was the Minister for Finance, the Finance Committee was advised that 75 per cent of end-year flexibility

would be retained by the individual departments and 25 per cent would be taken back by him. That policy ran into all sorts of difficulties last year because of health issues. As we can expect end-year flexibility to be not substantially different from the £430 million last year, I would like to know what is happening. There is no mention in this document of any approach in the budget to tackle end-year flexibility in the current year.

**The Convener:** From what Jack McConnell told us last year, I understood that that was policy and not just the position for one year. Unless we hear otherwise, that will continue. However, we can add your broader point about end-year flexibility when we write to the Minister for Finance and Local Government to ask whether he considers payments in respect of foot-and-mouth disease as coming from our reserve or the UK reserve. We need that to be clarified.

**Andrew Wilson:** We are talking about not just foot-and-mouth. That just helps to illustrate the point.

**The Convener:** That is the sort of emergency for which we have a reserve.

**Andrew Wilson:** People will say intuitively that money should be put aside for emergencies, but we are dealing with a special situation of a fixed budget with comparators to spend. Funds are being taken from spending departments, which need not be done in this context. If we had fuller powers, I would be in favour of the reserve.

After the meeting, will we write to the minister seeking clarification on the reserve and about some of the other matters that have been raised, such as the lack of PFI and other information that we requested? We can leave some of the wider questions to a review report.

**The Convener:** I am not convinced that we should ask about PFI. We can deal with that when the minister gives evidence. However, the reserve relates to the current situation and end-year flexibility. We will refer to Jack McConnell's comments to us and ask whether the intention is for the situation to continue. We need clarification on that point urgently.

**Dr Simpson:** I would like to amplify the point about end-year flexibility. It would have been helpful to know what each department's end-year savings or underspends were, as against the end-year flexibility outgoings. That cannot be done in advance, because we do not know what the amounts are. Table 0.5 gives figures, but does not say whether, for example, Audit Scotland underspent by £3 million in 1999, but spent that last year. If only £1 million of that £3 million was returned, it would be interesting to know how the 25 per cent retention is being used. Do you follow me?

**The Convener:** No.

**Dr Simpson:** According to the agreement of which we were advised, if a department saves £100 or underspends by £100, at the end of the year it will retain £75. That is fine and we know that the department will use it, but the other £25 is retained by the finance department, presumably to give it—the central element—some redistribution ability. I would like to know how the retained money will be redistributed. Otherwise, why bother?

**The Convener:** As opposed to something disappearing into a black hole.

**Dr Simpson:** We have only one set of figures; table 0.5 should have two sets of figures. One set would be the end-of-year underspend by departments in 1999 that was carried forward into 2000, giving the change.

**Andrew Wilson:** While we are clarifying points on reserves, I ask that when we write to the minister, we request clarification of the AME aspect.

**The Convener:** The AME reserve?

**Andrew Wilson:** Yes. The other outstanding question is whether the reserve will be £124 million by 2003-04. That looks like an expenditure point. If that is the amount, where are the funds and what are they doing? Are they earning money?

**The Convener:** In fairness, we have raised that point twice with ministers, who have said that that is not a roll-over figure.

**Andrew Wilson:** To be fair, we received three different answers to the same question.

**The Convener:** The figure is not a roll-over, but it is included in the totals.

**Andrew Wilson:** Exactly. Where are the funds sitting? Are they earning money? That is a lot of cash to be sitting doing nothing.

**The Convener:** We are asking a specific question on reserves, so it is appropriate to go into such detail, not least because we raised that issue before. However, we should not cut across the process whereby we obtain information through questioning the minister.

**Dr Simpson:** My guess is that the AME reserve will go into the end-year flexibility if it is not used. Otherwise, the answer that we received—that the money would not be rolled over or accumulated—would be invalid.

**Andrew Wilson:** That guess cannot be right because the end-year flexibility is on DEL and the AME is different from that. That is why we need clarification. I have no idea what the figure

comprises precisely.

**The Convener:** We will obtain clarification. The reserve has troubled us since it first appeared. We need to get the matter clear in our minds.

**Mr Davidson:** When you write to the minister—

**The Convener:** It will be a long letter.

**Mr Davidson:** It will, but it will all be on the same subject. There have been rumours, shall I say, that some of the programmes that are only being worked out will be funded out of the reserve because they have not been budgeted for yet, but it is intended that they be delivered. Off the top of my head, I can think of, for example, the Sutherland settlement and the decommissioning scheme for fishermen. Some money may come from Europe and some may come through Westminster, but it would be helpful to the committee if the minister could be asked specifically if, in the thinking behind the reserve, the Executive sought to produce a fund to which it could apply to fund policies that are currently being worked up and that have not yet been put in a budget.

10:45

**The Convener:** I understand what you are driving at. That is, with respect, the sort of point we should ask the Minister for Finance and Local Government when he comes to the committee. In the letter, we can ask him about the specific points that we have dealt with, but that is a general policy point. I do not doubt that it should and will be covered when the minister is in front of the committee, but putting it in the letter would be less appropriate in the context in which we are writing to him. We are writing to him about the function of the reserve.

**Mr Davidson:** I suggested that we put that point in a letter so that we can get a specific response for which the minister can be held to account. I do not blame ministers for this, but when they come to committees they often do not know everything. They cannot have everything at their fingertips. Often, their officials have to go away and think about matters. We eventually get a partial answer that sometimes requires clarification. Why not ask a written question at the beginning?

The letter will ask about Jack McConnell's policy statement and whether the policy of departments retaining 75 per cent of end-year flexibility money and 25 per cent being returned is current and has been rolled on. Has that policy ended? This is a similar point.

**Andrew Wilson:** David Davidson's point might be answered by the point in the letter about the rules that govern access to the reserve. If the reserve exists, we will ask the Executive what

rules govern it. Mr MacKay mentioned one or two points in his budget speech.

**The Convener:** We will ask the minister to cover the rules that govern the reserve. If we need to ask further questions on that, we will do so on 8 June.

**Mr Davidson:** Okay.

**The Convener:** It will be helpful to have some points clarified now, before we begin to question the minister. If we simply ask the minister, I suspect that, because of the detail, the minister will reply that he will write to us. We can cut the process short.

**Donald Gorrie:** I want to line up with Richard Simpson in his interest in pensions. He is concerned about funded pensions and whether they make sense. The police and fire unfunded pensions are a ticking timebomb that we should consider. Would the clerk make a note that consideration of pensions might be a possible issue next time the committee is thinking about its work programme?

**The Convener:** Does any member have anything else to say on the report or on our role as reporters? It seems not.

I thank Murray McVicar very much for his contribution and for the Scottish Parliament information centre paper, which was very helpful.

The committee has agreed to take agenda items 6 and 7 in private.

10:48

*Meeting continued in private until 11:57.*



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