

FINANCE COMMITTEE

Tuesday 5 June 2001
(*Morning*)

Session 1

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FINANCE COMMITTEE

13th 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 :

Professor Brian Ashcroft (Adviser)

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McNally

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 5 June 2001

(Morning)

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

The Convener (Mike Watson): Good morning, colleagues. At this busy time, it is more important than ever that I remind members to switch off their mobile phones and to set their pagers to silent mode. We have had apologies from Elaine Thomson and Andrew Wilson. David Davidson has indicated that he may have to leave the meeting briefly at 11 am.

Item in Private

The Convener: Do members agree to take item 5, the draft report of our inquiry into resource accounting and budgeting, in private?

Members *indicated agreement.*

Consultative Steering Group Principles

The Convener: Item 2 is a notice that we have received from the Procedures Committee relating to the principles of the consultative steering group and the review of those principles after two years of the Scottish Parliament. Perhaps Callum Thomson can clarify the situation. We have all seen a copy of the Procedures Committee's press release of 3 April and the remit of its inquiry. However, given that the financial issues advisory group was a spin-off of the CSG, I am not sure whether it is appropriate for us to comment on that in this context. Should we stick with the four areas outlined by the Procedures Committee?

Callum Thomson (Clerk): The intention of the inquiry is to concentrate on the four principles of the CSG, but I will seek clarification from the Procedures Committee clerks as to whether that committee would be interested in comments on FIAG.

The Convener: Members will note that we will be asked to give individual comments. At issue is whether this committee wants to submit comments. We are not obliged to do that. It would only be worth doing if there were particular points relating to this committee that we felt we could not express adequately in an individual capacity. I am fairly open-minded on this issue, but I am interested to hear other members' comments.

Mr Adam Ingram (South of Scotland) (SNP): The annual budget process ought to have a fair degree of consultation built into it. We have received responses from various committees suggesting that the consultation process has not been ideal. It is very relevant for this committee to comment on that and to make recommendations if we so choose.

Mr David Davidson (North-East Scotland) (Con): I endorse what Adam Ingram has said. Given the responsibilities with which this committee has been charged by the Parliament, we ought formally to comment on this matter. Some of our comments are included in reports that we have already issued on the budget process and how meaningful it could be. We have done a great deal of work in that area, not all of which has been taken on board. It would be appropriate to feed into the Procedures Committee's considerations a short paper highlighting the areas on which we feel that there is still need for movement. Presumably that committee will want to take a view not just on what the public in Scotland feel about access, but on how other committees of the Parliament are able to access information. Because of our technical role, we

have a duty to provide the Procedures Committee with a short response.

Donald Gorrie (Central Scotland) (LD): I am a member of the Procedures Committee, so I should lead the charge on this. I support what the previous two speakers have said. We should focus on the particular problems that the Finance Committee encounters in attempting to achieve the goals set out for it in the consultative steering group's report.

The Convener: The note from the Procedures Committee states:

"Written evidence should be submitted by Tuesday, 26 June 2001."

I am conscious of the fact that our clerks will be rather busy between now and the Friday prior to that. I wonder how strict the Procedures Committee will be in enforcing its deadline for receipt of information from this committee. If its deadline is 26 June, the committee cannot do anything with the information received before the summer recess. Perhaps we can submit our response after the deadline. It would be too great a burden on our clerks to expect them to produce it in the next 10 days. They are too polite to say anything, but I can confidently make that comment.

Mr Davidson: I think it would be appropriate for you to write to the Procedures Committee on behalf of this committee, indicating that we want to submit a response and why. It would then be for the Procedures Committee to decide how to accommodate that.

The Convener: That is a good suggestion. We might make the briefest of comments in the letter and indicate that we are willing to supplement that with oral evidence in the autumn. We do not need to restrict what we say. If members would like me to speak on behalf of the committee when the time comes, I would be happy to do so.

Equal Opportunities

The Convener: The next item for consideration is a brief paper on the important issue of mainstreaming equal opportunities in committees. I have been asked to agree that a member of this committee should attend the workshop that will take place on that subject. The date for the workshop has not yet been finalised. I caution members that a meeting of this committee is scheduled provisionally for the evening of Wednesday 20 June. It may not be necessary, depending on how quickly we are able to complete our budget report, but we have asked members to keep that slot clear.

Given the strong comments that the Equal Opportunities Committee made in its report on the budget, we should certainly be represented at the meeting. If Elaine Thomson, who was our reporter for the Equal Opportunities Committee, wishes to attend, I think that she should have first refusal. If, for whatever reason, she is not able to go, we should get someone else to go in her stead. Is that agreed?

Members indicated agreement.

The Convener: That would be the case even if the committee were meeting on that day.

Budget Process 2002-03

10:15

The Convener: We move to the main item of the agenda. I invite Brian Ashcroft to come to the table and welcome him again to the committee.

Nine reports of varying degrees of detail have been sent to us by the subject committees. My reading of them is that their quality and size was mixed. There may well be good reasons for that, which I think would be discussed more appropriately in our own review of the budget process.

Brian Ashcroft has also given us his résumé of the main points that were raised by the committees and has grouped those under three main headings. I invite him to make some introductory comments.

Professor Brian Ashcroft (Adviser): I am happy to do so, convener. I have created three spreadsheets on the three areas that formed the basis of the committee's guidelines: general issues, departmental performance and funding allocations. Each spreadsheet is broken down into columns, highlighting the principal issues that were raised in the guidelines under each heading. The sheets contain a selection of quotes and/or comments made by the subject committees on the issues in question. The spreadsheets clearly contain my reading of those comments and are therefore bound to be subjective to some extent. I have tried, however, to be as accurate as possible.

I have also tried to bear in mind the brief that this committee sent to the other committees. Members will be aware that there are a lot of obiter dicta in the committee reports. I had some concern about the committees' failure to follow the guidelines that the Finance Committee had submitted to them. Only two committees, the Enterprise and Lifelong Learning Committee and the Health and Community Care Committee, can be said to have followed the guidelines in a rigorous way. Five committees followed them partially or in a limited way, while the Education, Culture and Sport Committee and the justice committees did not follow the guidelines at all. That is an issue, certainly from my point of view, because it is difficult to report the committees' opinions. We want to be fair to the committees and pull out the issues that have been presented, but it is hard work. That will suffice for an overview.

If you are happy for me to continue, convener, I will make some comments on some of the general points that have arisen.

The Convener: Please do so.

Professor Ashcroft: To start with my overview, the first column of the first of my three spreadsheets deals with a comparison of this year's budget documentation with that of last year. There is almost universal agreement among the committees that the present annual expenditure report is better than last year's document, "Investing in You", especially in terms of readability and clarity. Several positive feelings are expressed about the presentation of this year's report. Nevertheless, committees still have concerns about presentation, particularly about the degree and nature of the information that has been provided in the annual expenditure report.

I will outline some of the things that I thought were important, and which cropped up a few times in the committees' reports. The committees felt that they needed a further breakdown of expenditure in certain areas. Expenditure through local authorities was mentioned, as was expenditure through non-departmental public bodies. It is known that money goes to them, but there is not much information beyond that. The more that goes through them, the less transparency there appears to be.

There was a general feeling that the figures in the budget document were robust. However, one committee, the Transport and the Environment Committee, raised a concern about the extent to which public expenditure commitment in the future relied on leveraged expenditure from the private sector. In other words, the extent to which the expenditure plans were contingent on the private sector delivering in the future was not known. That was an interesting question. I am not sure how general that concern was.

Specific concerns were raised by the committees about the adequacy of figures and explanations, as is shown in the second column of the first spreadsheet. I will try to identify common themes and will go through those that I have highlighted on the sheet. First, the committees draw attention, as we would expect, to the several errors or imprecisions in the figures. We have already noted that. Secondly, key information was often only elicited from the relevant department after the publication of the committee's report, usually through interviews with officials or with the minister himself or herself. There is a feeling that that is not satisfactory, and that more such information should be contained in the annual expenditure report.

There was also a concern over a lack of detailed, disaggregated information on spending in key areas. That led many of the committees to feel that they could not judge the appropriateness of spending allocations. That issue was raised by the Equal Opportunities Committee, the Health and

Community Care Committee, the Transport and the Environment Committee and the Social Justice Committee.

The Health and Community Care Committee raised another good point, noting what I think is a general tendency to provide too much information on small or relatively insignificant spending and too little information on the major budget heads. Big areas of the budget are perhaps not treated in as much detail. A certain degree of parity of information may not be appropriate when there are significant differences between expenditure heads.

Another concern was that, where changes in expenditure had occurred, between last year and this year or between "Making a Difference for Scotland" and this year's documents, they tended not to be explained adequately or at all. There seemed to be a desire for more explanation about what was changing, why it was changing and how the new figures compared with the previous figures.

Committees—the Transport and the Environment Committee in particular—asked whether it was possible for spending decisions to be expressed in the context of the historical trends in spending, so that they could see how the decisions fitted into that background. Members will understand that desire. For example, in rural affairs, spending on science has, I think, increased by 6 per cent, but in the context of a 25 per cent fall over the previous four years. Such background information would be quite useful in understanding changes in the current year's budget.

Many concerns were expressed about a lack of information on investment, and on the private finance initiative implications of that. That is an important issue. On a related point, it is clear that some committees have problems with the implications of resource accounting and budgeting or real spending. There is still confusion about the relationship between cash and spending, which needs to be clarified, at least in members' minds.

I turn now to the consultation that underpinned the expenditure report. It is evident from committees' reports that some departments consulted much more widely than others. Some seemed not to have consulted that much. The annual expenditure report tended to lack information on the nature of consultation and how it had influenced the spending decisions. Quite a few committees were concerned about that point.

The final column on the first spreadsheet deals with equality proofing. Where equality proofing was addressed, concerns were raised that equality was not mainstreamed in the annual expenditure report. Apart from the Equal Opportunities Committee, only the Enterprise and Lifelong Learning Committee found an emphasis on

equality issues in its department of interest—that is an interesting point. There was a feeling that effective monitoring arrangements were needed. Although I will not speak about the research project, there is a clear lack of data and analysis on the gender impact and on the impact on other groups, making it difficult to identify the implications of policies in the context of equality.

The second spreadsheet is about departmental performance, which is covered in the second part of the guidelines that were submitted to the committees. The first question in this part of the guidelines asked the committees what they thought of the strategic direction of the departments. It is fair to say that the committees appear to be content with the strategic direction of the departments, but they often found it difficult to relate spending priorities to the overall strategies, because the fit between spending and strategy was not always made clear enough.

Some committees, such as the Transport and the Environment Committee and the Health and Community Care Committee, were concerned either that there was a lack of clarity on how priorities were determined or that the costs and benefits of chosen courses of action were not made clear. Those committees were worried that such ex ante work had not been done and they were often unclear about the costs, benefits and impacts of particular expenditure commitments. There is quite a lot of overlap with what the committees said last year and a desire to increase the amount of evaluation and assessment that goes into policy selection.

There was some concern about the lack of clarity in relation to aims and targets in the departmental sections of the annual expenditure report. There was a general concern about the appropriateness of many targets and about the lack of performance indicators. Specifically, some of the committees argued for more emphasis on outcome-based targets and indicators as opposed to process indicators. They feel that outcome-based targets are much more helpful, although I suspect that that might raise problems. In addition, like last year, some committees drew attention to the fact that the time dimension in targeting—that is, the period in which delivery is expected to bear fruit—tends to be absent.

A generalisation on the monitoring side of the report, which is the next area on which the guidelines sought committees' comments, is that monitoring procedures in departments appear to be weak. Even where such procedures are in place, little attention is paid to them in the annual expenditure report. The committees seem to be saying that more evaluation and performance measurement of policy impact and effectiveness is needed.

The conclusion seems to be that consideration in the annual expenditure report of performance on past targets is weak. There is an implication—indeed, there is an overt suggestion in some committees' responses—of a lack of ex post facto impact assessment and evaluation within the departments.

I will conclude on funding allocation, which is covered in the third spreadsheet. Several issues were raised in the guidelines, with committees being asked to comment on the adequacy of funding, for example. While specific issues were raised by most committees on detailed areas, funding allocation did not seem to be a major concern. Nobody was banging the drum to suggest that much more needed to be spent here, although concerns were raised over particular areas, which were noted in the spreadsheet.

The implications of that for the comprehensive spending review were not mentioned very often. When they were, concern was expressed over either the absence of information on the allocation of the additional moneys through the CSR or the fact that the allocation had not been decided when the officials and ministers were interviewed by the department. The information was not included in the report, so there is a gap. Generally, no major reallocations or new areas of spend were suggested by committees, although the Health and Community Care Committee cited a lack of information as precluding it from making suggestions for revised funding in particular areas.

10:30

That is essentially it. I had a look at what was said last year. Although the specific issues regarding real-terms figures, the treatment of capital and end-year flexibility have been raised less often this year, there are still similarities between the points that were raised last year and the points that have been raised this year. This year, much more has been said about the inadequacy of targeting and performance measurement and the absence of sufficient detail for committees to make informed judgments about the appropriateness of the spend.

The Convener: Thank you very much. It was helpful to hear the responses under the headings that the committee set. You made the important point at the start that few of the committees responded according to the rough template that we set down. Before I saw your résumé, I found it much easier to take in what the committees said if their answers were given under headings. One committee simply replicated a question-and-answer session that it had just had with a minister, which I did not feel was very helpful. The responses were patchy. I do not want to be too critical of committees, as I know that some of them

have a heavy work load. Nevertheless, our questions were an integral part of the budget process.

I made my own summary of extracts from the committee reports. Members will not have missed the fact that some of their criticisms of ministers were trenchant. When we come to debate the issue at the end of the month, that is the sort of issue that is likely to emerge. The Enterprise and Lifelong Learning Committee's report says that the expenditure figures were "relatively meaningless".

The Health and Community Care Committee was perhaps the most critical. I was concerned to hear that when members of that committee asked ministers or civil servants for information that had not been received in time for them to use in their response, the minister replied that she did not intend to supply any further information because she did not think that it was appropriate. That led the Health and Community Care Committee to conclude that no progress at all had been made on the targets and aims of last year's budget document.

Those are the most serious comments, although other committees have raised concerns. The Local Government Committee described the local government department's aims and objectives as "very general". The Rural Development Committee reported that the minister thought that it was too expensive to provide the information that it sought.

Professor Ashcroft: Although the Health and Community Care Committee said that there had been no progress at all on last year's document, it also said that this year's document was more readable. However, the committee was unhappy with the thrust of the document.

The Convener: These responses are important, not only for what they say, but because they prove that committees are examining the budget proposals in considerably more detail than they did last year. My feeling from reading most reports is that committees have begun to realise that that is an important part of their job.

Professor Ashcroft: After reading last year's and this year's responses, my impression is that the committees are much more experienced, knowledgeable and in touch with the issues this year.

The Convener: The responses of the Equal Opportunities Committee and the Health and Community Care Committee were the best. It may not be coincidental that they are the two longest responses. Length in itself is not a virtue, but the detail that those two committees went into was commendable.

Professor Ashcroft: I thought that the response of the Enterprise and Lifelong Learning Committee

was also good, as it followed the guidelines closely.

Mr Davidson: I shall not try to take credit for the fact that the Enterprise and Lifelong Learning Committee stuck to the system, as I was not allowed any input as a reporter.

The first point to consider is how closely the committees would have stuck to the template that we offered and the guidance that was sent to the clerks if the Procedures Committee had considered changing standing orders—for the budget process only—to enable reporters to sit in on budget deliberations that were held in private. We could have given the committees guidance and reminded conveners that the committees might like to give a view on areas that they had not dealt with. We would not have told them what to say, but would have reminded them not to miss any issues that were relevant to our work when we pull the responses together.

Brian Ashcroft's résumé is excellent, as it highlights many of the important points. At a meeting of the Enterprise and Lifelong Learning Committee, I asked for permission to discuss fully with the convener what was behind that committee's report. That has been agreed and I shall do that next week. I recommend that other members who were in a similar position do the same.

What comes across clearly is the fact that our move to considering outcomes in the budget—what is delivered from a policy and a certain amount of money—rather than outputs will be of tremendous help to many committees. They want qualitative details rather than the quantitative grind of number crunching, which is almost meaningless, but I wonder whether that would be expecting too much of the Executive at this stage. However well meaning they are, the ministers do not regard the opening up of the budget process as much more than an inconvenience because they are still trying to develop policy lines. It is vital that we hold them to that opening up, but I recognise the huge tension.

Although some ministers were honest enough to say, "I do not know. I shall tell you,"—which is always an admirable thing to do—perhaps the telling did not happen in time. That is an issue, as that work would be delegated. We have just suggested that we make a response to a committee that is seeking help at our convenience and to suit our work load. I am sure that the ministers do the same. We must try to establish a cultural change in the background of the process of scrutiny, so that the committees do not have to wait until the last minute and knock off a response in one meeting, but are able to consider the issues as they go along. Many of the committees have commented that information is released only after

the budget has been published. We must ask the conveners to comment on the additional moneys that come into the budget throughout the year, so that it is not all stored up for a last-minute run-through. If we got into that way of thinking, much of the work at this stage in the process would be minimised. That would not make much difference to our work, but it would make the process much easier for the committees.

If, as part of the basket of questions that they ask ministers who give evidence on different issues throughout the year, committees ask ministers to consider any budget implications, that will help to make the ministers and their civil servants aware of the fact that the budget process goes on all year round, rather than at one fixed time.

I know, from my background in business, that budgets are reviewed every month along with what comes out of them. That is how a business is kept going and develops. The situation is no different for the Government, which has additional flows coming in during the year. We may struggle for two or three years before we get that kind of system, and we may have to do it all again if the conveners and the committees change. It will be an on-going process. All in all, we must press the Procedures Committee to consider making a change in standing orders to allow us to participate more actively in the process.

The Convener: I will start by commenting on that general point. Like David Davidson, I was excluded from the justice committees' consideration of their report and was not given sight of a draft of it. Like him, I thought that standing orders precluded our being present during the private part of the meeting. In fact, it is not standing orders but guidance that precludes the presence of non-members during private parts of meetings. Guidance should be treated as such. We are not precluded from being involved. I will raise that at the conveners liaison group. It is permissible for us to sit in, particularly given the special role that most of us have had with the committees over recent weeks. Most of us will have sat in on three or four meetings. We will deal with this issue before next year.

I certainly agree that even if our presence would not have influenced the content of the committees' reports, it might well have influenced the areas that their reports dealt with. Clearly, we would have preferred that all the committees had stuck to the template that we suggested. Two of the committees that did not stick to the template were the Justice 1 Committee and the Justice 2 Committee, to which I was the reporter.

Other members who were reporters are welcome to comment on how their committees dealt with the budget process. I will not say

anything about the justice committees, except that I got the impression that they spent quite a lot of time on the policy issues rather than on the spending proposals of the various departments that they look after. That may be a natural tendency and the committees may even have flagged up areas on which the committees want greater detail and on which they might have full-blown inquiries. As it led to conclusions on spending—particularly on the Scottish Legal Aid Board and on the Crown Office and Procurator Fiscal Service—their discussion was not necessarily unhelpful, but quite a bit of it broadened out beyond the specifics of the annual expenditure report.

Do other members want to comment on what Brian Ashcroft said or make general comments about the reports or specific comments about the committees to which they were the Finance Committee's reporter?

Dr Richard Simpson (Ochil) (Lab): I have a general and a specific point—I will make the same point about the reports of the Education, Culture and Sport Committee and of the Health and Community Care Committee. In both cases, the predominant amount of expenditure is carried out by an organisation that is one step beyond the Executive. Paragraph 8 of the Education, Culture and Sport Committee's report says:

"much funding of Education, Culture and Sport is through Local Authorities."

Local authorities have to achieve whatever goals the Executive sets. For the Health and Community Care Committee, it is the health boards that are responsible for most of the health expenditure. Both committees feel frustrated that there is no linkage back from the subsidiary groups' budgets to the central policy document. That makes the process of meeting policy objectives, linking targets, and moving towards outcomes—which we have asked for—more difficult. The whole thing will be problematic because there is no linkage. That is one of our major difficulties.

Professor Ashcroft: I agree. However, the problem with the Education, Culture and Sport Committee's report is that instead of developing those points, the committee got into policy issues. The point that Richard Simpson raises is made more strongly in the Health and Community Care Committee's report.

Donald Gorrie: I am not too sure what to make of the table that is contained on pages 2 and 3 of the Health and Community Care Committee's report. Is that table its version of how the health budget should have been presented? I have searched through the budget document but could not see an equivalent table.

Dr Simpson: That table is the Health and

Community Care Committee's own stab at showing the increases in expenditure, so that it has some idea of what is intended for next year. That information was not available anywhere in the budget.

The Convener: It would have been helpful if the Health and Community Care Committee had said in paragraph 9 of its report that the table was an example of how the health budget for next year would look.

Donald Gorrie: I thought that what Richard Simpson said was the case, but I wanted to be sure.

I want to focus on some specific points. Richard Simpson has already mentioned quangos, which the Enterprise and Lifelong Learning Committee mentioned in paragraph 4 of its report. We must focus on them.

Paragraph 19 of the Health and Community Care Committee's report made an interesting point, which is not highlighted:

"the failure to *either* cost action points arising from policy documents *or* include these in the financial planning process suggests that central policy is being made with no idea of the costs of implementing it."

That is a pretty profound statement, which I would have thought would be highlighted more.

Paragraph 22 of the Local Government Committee's report states:

"The Committee was struck by the difference in perception between the Minister and local authority representatives over the impact of increased funding on the ground, because of shortfalls in previous years."

That seems to me to be an amazingly polite statement. I sat in on the evidence taken by the Local Government Committee, which set out the continuing fall in funding for—and therefore in the standard of delivery of—cleansing, recycling and other non-priority services.

The justice committees were concerned about the Procurator Fiscal Service. It seems that the whole system is being corrupted by lack of funding, which is a profound issue.

Professor Ashcroft has covered a lot of ground, but the points that I have highlighted are worrying, and I am sure that there are many other concerns that we could focus on.

10:45

Professor Ashcroft: I have given an overview of the committees' concerns, but some of the points that Donald Gorrie raises are in the columns of the spreadsheet. I think that I have included all but one of them. The Procurator Fiscal Service is mentioned, as is what the Health and Community Care Committee said about

"policy ... being made with no idea of the costs of implementing it."

That is quite a strong statement.

Dr Simpson: The other fundamental point is that the consequent inefficiencies of the system are hugely expensive. In health, for example, the amount of time that professionals spend on the phone to one another dealing with delayed discharges and people who have to wait without knowing what is happening is hugely wasteful. Increased expenditure will release efficiencies. I agree with Donald Gorrie. There are areas of significant underfunding in the system. It is not just a question of having totally new initiatives. It is a question of improving existing service to a quality that will release efficiencies.

Professor Ashcroft: The Health and Community Care Committee report shows that health spending is obviously a complex area. That committee seems to be saying that there are important micro-management issues about how information flows from managers to policy makers and vice versa. At one point, when it talks about not knowing the cost of policies, the committee mentions spending money on a scanner without allowing for the fact that there is also a running cost. One would have thought, perhaps naively, that that information would come up from the implementing authority. It is a tremendously complex area—I do not want to downplay that point—and information flows need to be much more developed. Policy makers somehow need to be closer to the micro-managers, but there seems to be a gap. It is difficult, because policy is being delivered through intermediaries. I get the feeling that the process needs to be opened up somewhat so that there is more transparency—to the policy makers, let alone the committee.

Mr Ingram: That is the point that I was going to highlight. The big picture shows that there is a lot of frustration in the committees, as they are unable to scrutinise in detail the type of things that they want to scrutinise. That is largely because they are not getting the information from the system. The spreadsheet that we are considering shows quite a heavy critique of the current system's provision of figures, its evaluation of performance and so on. One wonders how even ministers can come to decisions on the basis of the type of information that is being fed through the system. To improve the situation, we would have to open up the civil service completely. Donald Gorrie has been critical of the civil service in the past, but this is pretty damning stuff, is it not?

Professor Ashcroft: I agree. There is a problem in that appraisal techniques are used in certain conventional areas, such as road building and major investment projects, but there are many areas in which a lot of money is spent and in

which, it is my impression, there is not much ex ante appraisal of the opportunity costs or even—according to the Health and Community Care Committee report—the actual costs.

Lots of money has been spent. Clearly, there are issues regarding information and opportunity costs. Movement towards RAB is helping in that regard and progress is definitely being made, but there are whole areas within government where there is little evaluation at all ex ante, and none at all ex post. The situation is changing, and there is movement in certain areas, such as education, but there is a long way to go. In other areas, where evaluation is mandatory, such as European funds, much more time is spent on evaluation. Other areas, in which there is not much evaluation, must be opened up, but that will take resources and will not be easy to do because a new framework and set of information will be required to get a handle on some of the impacts.

Ministers and committees have a problem in deciding how to spend money. How does one decide whether to spend the extra pound at the margin on further education or higher education? That is a major problem. The required information set is not available or is not sufficiently calibrated to the values of the policy makers to enable them to make decisions, so it is done incrementally. The more we can make that process rational, the better, but the difficulty should not be minimised.

Mr Davidson: In Brian Ashcroft's report, under the monitoring mechanisms heading, the Health and Community Care Committee's comment is:

"Need to establish 'audit trail' linking local spending to national priorities."

That conjures up a series of questions. Is it that the committee could not see a connection between how the minister made policy and set the budget, and what locals needed to spend money on, or did the committee look at the issue and ask why people locally were not doing what they were told? The minister says that she gives money to health boards and they have a remit to get on with it.

If the committee's statement applies to all committees, it highlights an issue about policy making that Adam Ingram mentioned. Committees need clarity from ministers if they are to scrutinise their areas, so that when they examine budgets they know whether funding is for a broad area or a specific target. If it is for a specific target, is it ring-fenced? Can the funding be spent only in that area, or is it that there is a trend that a certain thing should be good all over the country, so every health board must pay attention to it, whatever that happens to be? That is a serious issue.

My other disappointment is that, once again, no committee has had the courage and confidence to

make recommendations to alter spending. That means that the budget process has failed, in that committee members do not feel confident enough with it to make that kind of decision.

The Convener: I am not sure that the process is a failure. It is partly to do with confidence building, familiarity with the process, and having sufficient time to go into that sort of detail. Very clear thought is required. Committees should now be thinking of the budget process for next year. They should have a file of alternative spending proposals, rather than being expected to come up with them after reading the annual expenditure report. The matter should be looked at in the broader context. I suggest that alternative spending proposals will come with time.

Dr Simpson: I accept most of what David Davidson says. In health at least, this is about both the local use of money and driving through the minister's major policy initiatives. The big change that is occurring in health, which was reported to us in some detail by Gerry Marr, who chairs the modernisation board, is the introduction of a new performance assessment framework. That is not about ring fencing, but about holding people to account.

Together, the Scottish needs assessment programme reports, the Scottish intercollegiate guidance network guidelines and the clinical standards boards provide a set-up that will ensure that there are minimum standards throughout and that boards are held to account. We used the example of multiple sclerosis to highlight that, pointing out that minimum standards in that area were not being met by some boards. The Minister for Health and Community Care has now said publicly that boards will be held accountable if they fail to meet those minimum standards. We are dealing with a complex interplay of factors.

I fear that we will end up asking for more and more data. There is a need for someone somewhere in the modernisation of government group to examine the data that we currently collect. This applies not only to health. In a series of areas we collect activity data that are pretty meaningless. The individuals at the front end are forced constantly to fill in bits of paper so as to produce a massive figure—such as that indicating that this year the number of out-patients seen has increased by 8 per cent. That is a totally meaningless statistic. It may produce a wonderful feeling and make people think that things are happening, but it is not a figure that we need.

In the modernisation of government programme, there must be a fundamental and concentrated effort to re-examine our data collection systems and to bring them into line with the committees' demands. That will involve a reduction in data or the provision of new kinds of data, not the addition

of a new layer of statistics, which would be disastrous.

The Convener: I take that point. However, the committees must feel that they have information that is sufficient for them to make informed comment. In its report, the Health and Community Care Committee said that it did not want data for data's sake. However, the committee also felt that it did not have enough information for it to comment properly.

Professor Ashcroft: About £333 million is spent through the health boards. The lack of information on what happens to that money is mainly responsible for the problem. The Health and Community Care Committee wanted both more and less information. I had the sense that the committee wanted the information to be more focused.

Dr Simpson: We identified only £1 million that was spent last year on new cancer initiatives, even though tackling cancer is one of the Executive's top priorities. We examined in considerable detail where the money had gone, but that was not clear in the budget. The budget did not indicate what the boards were proposing to spend or set out their five-year plans.

Donald Gorrie: It is important that we pursue this issue. After a proper discussion, we could ask the committees what information they want—in the off season, when they are not dealing with the nitty-gritty of the budget. We could also talk to ministers, with the aim of identifying the redundant information that we can stop collecting and the important information that we should collect. That must include health board and local government expenditure. Some of it may be a year behind, but we cannot scrutinise the budget for education and social work without the figures for council spending. It does not help if ministers adopt the attitude of Pontius Pilate, saying that they have given councils the money and it is up to them to get on with spending it. We must study the clarity of Pontius Pilate's water.

The Convener: On that point, we will bring proceedings to a close. Do you have any final comments, Professor Ashcroft?

Professor Ashcroft: Not really. The committees feel that there has been some improvement, but there is still some way to go. Several of the points that were made last year crop up again this year.

The Convener: Indeed. There has been some progress, but more is required. We will express those sentiments to the Deputy Minister for Finance and Local Government when we take evidence from him on Friday. As members know, Friday's meeting is due to start at 2 pm in Perth. Papers for the meeting should have been on members' desks this morning. Do we agree to

take the first item on the agenda for Friday's meeting in private?

Members *indicated agreement.*

The Convener: The content of the reports will obviously inform our questions to the minister. In that sense, they have been very valuable. I thank Brian Ashcroft for pulling things together and giving us an overview.

11:01

Meeting continued in private until 11:11.

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