

FINANCE COMMITTEE

Tuesday 19 June 2001
(Morning)

Session 1

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FINANCE COMMITTEE **16th 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

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McNally

LOCATION

The Hub

Scottish Parliament

Finance Committee

Tuesday 19 June 2001

(Morning)

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

The Convener (Mike Watson): Welcome to the 16th meeting in 2001 of the Finance Committee. We have no apologies for absence, although Andrew Wilson has announced that he will have to leave to go to another meeting shortly.

Item in Private

The Convener: Do members agree to take agenda item 3, the consideration of our draft budget report, in private?

Members *indicated agreement.*

Voluntary Sector Funding

The Convener: Agenda item 2 deals with the report by Donald Gorrie, which is also in the name of Adam Ingram, on voluntary sector funding.

Donald Gorrie (Central Scotland) (LD): I thank Adam Ingram for his involvement. He listened to a number of groups in Ayrshire, which gave us a wider perspective than we could have achieved otherwise and confirmed that just about everyone was saying the same sort of thing.

The report was produced to a tight timetable because of the Executive review of the directly funded organisations. I apologise for any resultant shortcomings.

As I have said, the report simply reports the views of the voluntary organisations. There is no political spin involved and the personal vendettas of Adam Ingram and I do not come into it. As the organisations made many points, the report has a rather scatter-gun feel, but the basic points that were made were similar across all the various types of voluntary organisations. We got a lot of written responses, but most of the report was informed by our meetings with the representative groups of the voluntary organisations, which covered youth work, the caring services, the environment, arts, sport, advice giving and the voluntary sector as a whole. In subject and—in so far as we could—geography, we have covered the entire area.

There was a huge welcome for the inquiry from the groups that we talked to. We heard remarks such as, "This is the first time anyone has ever listened to us." We are opening out a fruitful field of inquiry for the committee. All the groups illustrated severe problems with the funding system. The sports groups used the word "crisis" in relation to sports clubs. A lot of other groups indicated that there were serious problems with inadequate funding and with the lack of core funding, which leads to uncertainty year by year for each organisation. They also talked about the difficulties that are involved in keeping a project going after the initial funding has run out and the lack of transparency in the funding system, which means that, when the voluntary organisations feel that they get a raw deal, they do not understand why. Many groups suggested that there should be a neutral national evaluation scheme, because they feel that they do a good and professional job and are happy to be measured in that way. There are problems of reconciling local democracy with the requirement to ensure that all organisations are treated fairly. Many decisions are made by council officials, who have great powers, rather than by councillors. That area must be explored.

The Executive's inquiry does not affect a number of groups, as it deals only with organisations that are funded directly by the Scottish Executive. As illustrated at the top of page 5 of our report, the groups that are involved in it were pretty rude about it. They felt that it was an examination of process and an attempt to deliver better management of what exists, rather than an attempt to examine the wider issues, and that there was no strategic thinking.

I hope that the preliminary efforts that Adam Ingram and I have made are sufficiently interesting for the committee to agree to produce a full-scale committee report. Some important decisions have to be made, which should have the full weight of the committee behind them. We might then persuade the Executive to do things in a more coherent manner. I am happy to submit the report, and I hope that it will lead to discussion on the subject and perhaps a future committee inquiry.

The Convener: I thank Donald Gorrie and Adam Ingram for the work that they have done. Clearly, a lot of ground has been covered in a relatively short period. I notice that eight public hearings were held, which is remarkable in such a short time.

When we discussed this report on 8 May, the committee agreed that it would concentrate on two sections: direct funding from the Executive, which is what the current review is about, and all other sources of indirect funding for the voluntary sector. On that basis, I have two criticisms. First, the report does not separate those two areas, but is more about the broader, indirect issues, which makes it difficult to pull together in the form of a response to the Executive's review. Secondly, the conclusions at the top of page 15 are prefaced by the statement:

"Everything in the report sets out the views of the voluntary organisations, not the views of the authors."

However, we have to express the view of the committee as a whole, and I would have preferred there to have been some analysis of the views rather than a simple statement of them.

For instance, it is suggested that there should be a less bureaucratic way of applying for funding. The Executive's review document, on which responses were invited, talks about

"a single core application form ... a basic package of grant conditions ... a standardised system for claiming grant ... a standardised system for monitoring"

and so on. Those points highlight what the Executive says that it intends to do. There was nothing surprising in what the organisations had to say.

I am concerned that we will have to try to draw out of the report something more specific to the

first part of the report's remit that was defined in May, on the direct funding. The end of July is the closing date for responses, and we will have to have our reply ready by the end of June. I do not mean to sound critical, but the report is not as specific as it should be if we are to draw together a response to the Executive's review.

Dr Richard Simpson (Ochil) (Lab): I understand what you are saying, convener. A distinction must be drawn between the Executive's review, which is concerned with its funding of voluntary organisations, and this report, which deals mainly with funding from the 32 councils. It is the indirect relationship between that funding and the Executive that this report has examined.

The report is an excellent snapshot. It is a good piece of qualitative, informative research, which we must now back up with quantitative research. It outlines many principles that we can draw out immediately: that funding should be prompt; that decisions about continuation should be made quickly and not left to the last minute; that core funding should be allocated on a rolling contract basis; that social inclusion should be examined as a separate factor for support and, if the Executive feels that it is important, that a mechanism should be found for it; that there should be adequate time for bids on new projects; and that there should be a distinction between matters that are innovative, in which proper exit strategies are required, and those that rely on a partnership with local authorities for core projects that are central to the provision of services.

We need to come to a view on whether there should be such a distinction. For example, the traditional role of voluntary organisations has been to be at the cutting edge, plugging gaps that they have spotted and which the standard services have not recognised. Now, voluntary organisations often provide those core services, which marks a radical shift in the organisations' function that has not been strategically recognised in full. I agree with what the Executive says about bureaucracy, but the issue is its own central bureaucracy and form-filling, which is—

The Convener: That is the point that I was making.

Dr Simpson: I accept that.

10:15

The Convener: We are discussing our response to the Executive's review, not a wider inquiry. As Donald Gorrie said when the matter was first raised in the committee, the Social Justice Committee is considering voluntary sector funding and it is important that we do not duplicate the work that that committee is doing. Donald Gorrie has liaised with Karen Whitefield, who is the

reporter for the Social Justice Committee. At this stage, I am keen to keep our focus narrower, on the Executive's review only. We have only this meeting and next week's meeting in which to finalise our response to the review. What happens in terms of the wider strategy is a different matter. That is covered in Donald Gorrie's paper, and we can go on to discuss it. However, I am keen to keep our focus narrow today.

Dr Simpson: I misunderstood the agenda, then. I thought that our agenda was to examine voluntary sector funding. We talked about trying to be complementary and not overlapping with the Executive.

The Convener: I remind the committee of what we agreed on 8 May. We agreed that the role of the reporters at the first stage would be to respond before the summer recess, on behalf of the committee, to the Scottish Executive's consultation paper. Thereafter, at the second stage, the reporters could contribute to the wider strategic review and consider issues surrounding indirect voluntary sector funding. It is a question not of whether we undertake that work, but of when we do so. That is why I am keen to concentrate on our response to the Executive's paper.

Dr Simpson: I accept your point. I did not realise that this was supposed to be only a first-stage report.

Mr David Davidson (North-East Scotland) (Con): Like Richard Simpson, I think that the report provides a good snapshot, although I accept Donald Gorrie's comment about the scatter-gun approach to this wide area. It might have been helpful if the report had suggested which of the voluntary sector organisations supply services that the Government or other agencies are supposed to supply. An example might be specialist multiple sclerosis nurses, although there will be hundreds of other examples. It is important that we tease out and try to quantify the areas in which voluntary sector organisations supply what should be a core part of the national health service or local government services and the way in which we can deal with the funding of those services through the voluntary sector organisations, as unofficial agents.

That information could come out of the sort of research that the reporters have done and would complement what the Executive is trying to quantify. Such research may not be in the direct line of what the Executive is trying to do, as the Executive is examining structure and function, but it is an essential element. Many people in the voluntary sector have told me—even before I became an MSP—that, in effect, they provide services that should be provided by one agency or another. Many of the organisations that would come under a review of quangos are failing in their

remit, and voluntary sector activity is having to compensate for that. That is another issue that the committee could take a view on, in considering funding flows to outcomes.

The Convener: I suggest that we pull from the points that have been elicited in the survey those that are directly related to Executive funding. We can then begin to shape our response, which we must have completed by next week.

Donald Gorrie: Many of the groups do not receive any Executive funding. For example, the arts groups receive money either from the lottery or from the Arts Council, but not from the Executive. Similarly, the sports groups receive support from sportscotland or the local groups from the local council. Citizens Advice Scotland gets no support from the Scottish Executive; it receives support from the Westminster Government for its national services and from the councils for its local services. The environmental organisations receive support from Scottish Natural Heritage rather than from the Executive.

The Convener: Can you say which of the list of organisations on the last page of the submission receive Executive funding?

Donald Gorrie: Most of them do not receive Executive funding, but some might be given support for specific one-off projects in areas such as physical development. By all means, we can concentrate on what those organisations said and felt about the Executive's review. The main point about the Executive's review is that it is far too narrow, which is a relevant issue to raise with the Executive.

The Convener: Indeed.

Donald Gorrie: We could tell the Executive that we have listened to voluntary sector organisations, and we could pass on those organisations' responses on the Executive's paper. However, we could also pass on the organisations' comments on issues that they feel the Executive should really address. That is a fair and legitimate response to the Executive's paper. If the Executive is aiming at the wrong targets, it is legitimate for us to say so and to explain what we think the targets should be, as well as passing on the voluntary sector's narrow comments on the Executive's paper. I do not accept the argument that it is not reasonable for the whole paper to be submitted to Jackie Baillie's department as a response to that department's document.

The Convener: It is not just that—I am not keen to revisit what the committee agreed in May, when we decided that we will cover the ground that you want to cover in the first and second stages of the process with the Executive. The question is how do we do that. Although we could make the points that Donald Gorrie suggests in response to the

Executive's paper, they will not form part of the Executive's ultimate report, which will encompass other responses. The points would be better made in a report that the committee—either alone or working in some way with the Social Justice Committee—could produce over the next six months or a year. I do not see the two issues as being mutually exclusive.

First, we should not rush to judgment on the indirect funding issues. It is a subject on which I would like to hear evidence, because I come from a voluntary sector background. I do not want to make judgments that are based simply on the research that Donald Gorrie and Adam Ingram have produced so far. They have signposted a number of organisations and issues that we should pursue. However, at this stage, our task is narrower, even although I am happy to support the idea that we should forcibly flag up the fact that direct funding is only a part of the voluntary sector's funding and should not be seen in isolation.

Donald Gorrie: I disagree. I feel that my paper fulfils the remit that was agreed by the committee. If you think otherwise, that is fair enough—I will go along with your decision, even although I disagree with it.

I should point out that the Social Justice Committee's agenda contains nothing about the subject. It was mentioned in a report some time ago, and the committee decided not to make it a high priority, because it has many other issues to examine. Although we should by all means be careful not to tread on the toes of other committees, I think that we would be okay as long as we stuck to funding.

The Convener: Indeed. If the Social Justice Committee is not pursuing the issue at the moment, there is no question of standing on any toes. I am quite comfortable with that. However, I was dealing with the issue on the basis of what we decided on 8 May.

Donald Gorrie: That is your interpretation. You are the boss, so I accept your interpretation.

The Convener: I am sorry, Donald, but that is not an interpretation. Your report was accepted. In the wording that I read out, it was your recommendation to report in two stages and the committee accepted your recommendation. That is not my interpretation, it is your wording.

Donald Gorrie: It is your interpretation of my wording.

The Convener: The wording is not open to interpretation.

Donald Gorrie: You are the convener, so let us roll on.

Elaine Thomson (Aberdeen North) (Lab): The paper is useful in flagging up a number of issues that can be pursued further. However, I question whether it is appropriate for the committee to consider the paper or whether it would be better for other committees to consider issues that relate to the funding of voluntary sector organisations by local government, for instance. That is a problem. In the short term, it is better for the committee to put forward a response that will fit in with the current consultation process on direct funding from the Executive. That is what we proposed and agreed; we should go ahead and do that.

Dr Simpson: I do not disagree with Mike Watson. I accept the wording that has been read out and I accept that I misunderstood. However, I am concerned that we are already in one crisis in respect of joined-up government in relation to the Regulation of Care (Scotland) Bill. I made a considerable point about that and at stage 2 I lodged an amendment to introduce a new section of the bill. I tried to point out that there is a massive problem in that, even if funding is applied indirectly from the Government to local authorities and from local authorities to care providers, unless those processes are joined up, crisis point will be reached. That is now happening.

It is not rocket science to recognise that there is a crisis in care provision. Today, we have been told that sports is the one sector that has said that it is in crisis. However, from talking to voluntary organisations in my area, they are within a smidgin of crisis in almost every area. Individual projects go from crisis to crisis. Often, they fund staff two or three months beyond the point at which funding has run out and do not know whether projects can be continued. Often, they find that decisions on whether projects will be funded are left until the last minute. They are then expected to pick up and run with new, innovative funding and to produce results on day one and appoint staff within a week. Those are unacceptable expectations. Partnership with the third sector does not exist—that sector is generally treated unacceptably.

I accept the point that was made about the first and second stages of the process. We can make limited comments on the Executive's review of its central funding of organisations. However, the committee is the prime committee for finance and has the responsibility to ensure that the second stage is conducted in a very detailed way. Evidence must be taken into account, research conducted to back it up and a view presented on the principles on which partnership is based. The Executive has signed up to that partnership in the voluntary compact and it expects the local authorities to sign up to it—which was said in the debate in the chamber.

If that partnership becomes a reality over the

next two to three years—it will not happen overnight—the committee has a major role to play in conducting further research. I feel incredibly strongly about the issue because, since becoming an MSP, much of my time has been spent trying to help local voluntary organisations to deal with local councils. I have to deal with three local councils, which is more than most MSPs must deal with and I find it almost impossible.

The Convener: I agree. I was a member of the Social Justice Committee and it seemed that it was moving towards an inquiry. I am rather surprised that it does not now intend to do that because, as all of us know from local authorities, funding of the voluntary sector is a major issue. I am not trying to downgrade the matter.

Do not forget that next week we will have our first discussion on our major inquiry into private-public partnerships and private finance initiatives. We must be aware of what we are taking on. The second stage of the process is about the wider strategic review and we must be careful about the way in which we frame our inquiry.

10:30

Mr Adam Ingram (South of Scotland) (SNP): I do not know how Donald Gorrie would feel about this, but we could use his paper—in the required format—as the basis for a response to the consultation exercise on direct funding. We could draw something out of the sections of the paper that deal with principles for future funding, the processes and the wider strategic review, which is what the Executive is asking for. It is all there in the paper, it is simply a question of reworking it in a form that can be submitted to the review process.

The Convener: I agree. The wider strategic review does not appear to have a specific time scale. It is mentioned at the end of the consultation paper, but nothing is explicit. We need to respond, but at the moment a programme is mapped out ahead of us. Before we embark on a new inquiry we must be clear what form it should take and the basis on which we want to proceed; for example, whether we want an adviser and so on. All the usual aspects of holding an inquiry must be considered. Perhaps we could put that on next week's agenda.

Mr Davidson: In a former life, I was heavily involved in the voluntary sector. When I became a councillor, I had to deal with voluntary bodies and to support them in their applications for funding. Councillors must be assiduous—money does not go everywhere. However, funding is an on-going problem. I notice that I have been contacted primarily on issues to do with care. Other organisations come to see me, but care

organisations seem to be experiencing particular problems.

The Finance Committee must consider how money from the centre is dealt with and handled. What processes are involved? We cannot abdicate all responsibility for the way in which money is handled in local government—that money left the Executive's budget and was intended to reach a particular target.

If we carry out an inquiry, we should consider the process by which the Executive approaches spending money in the broadest sense and how local government handles that. One of the issues that comes very clearly from the better organised bodies in the voluntary sector is that there is no distinct process of access that is reasonably similar in every council. It is very hit and miss. The same is true of some health care exercises. Such processes fall within the remit of the Finance Committee, because they hinge on possible future changes in the budget in relation to the voluntary sector. That is particularly the case—as I said before—if we divide the sector into bodies that provide something that should really be provided by central or local government, and bodies that provide something additional that enhances the quality of life in a community. There are clear differences.

If we are going to make progress in dealing with the processes involved, we must be fairly focused. If nothing else, we will be able to ensure transparency in the process, which is something that the voluntary sector desires.

Donald Gorrie: Our discussion has focused on local authorities, which are important. However, some other organisations do not get money from either the Executive or from the local authorities. Bodies that relate to sports, arts and the environment are funded by quangos. Other bodies are funded by the health service, which is also a quango.

The matter concerns not just the local authorities, although they are very important players. Like David Davidson, I feel that it is the committee's role to ensure that money is spent properly. From the point of the view of the voluntary organisations, it is arguable that much money is not spent correctly by the various quangos that fund them or, rather, which should fund them, but do not. That is all relevant to our job.

The Convener: We must pull together a response on the basis of the points that Donald Gorrie and Adam Ingram have made. I am not sure quite how we should do that.

Donald Gorrie: Adam Ingram made a very constructive suggestion. We could go through the Executive's report, pick out the bits that are

relevant and respond to those. That would be a reasonable way to proceed. We can try to do that by next week.

The Convener: Who will do it? Will Donald Gorrie and Adam Ingram do it, or will the clerks do it? I do not know whether it is fair to burden the clerks with extra work at this stage.

Donald Gorrie: I do not mind doing it.

Callum Thomson (Clerk): I can work with Donald Gorrie.

The Convener: Donald Gorrie and the clerk will work together on a response. We will put the matter on the agenda for next Tuesday's meeting.

We now move into private session to consider agenda item 3, our draft stage 1 report on the budget process.

10:36

Meeting continued in private until 12:05.

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