

FINANCE COMMITTEE

Tuesday 11 September 2001
(Morning)

Session 1

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FINANCE COMMITTEE 18th Meeting 2001, Session 1

CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

DEPUTY CONVENER

*Elaine Thomson (Aberdeen North) (Lab)

COMMITTEE MEMBERS

*Brian Adam (North-East Scotland) (SNP)

*Mr David Davidson (North-East Scotland) (Con)

*Donald Gorrie (Central Scotland) (LD)

*Alasdair Morgan (Galloway and Upper Nithsdale) (SNP)

*Dr Richard Simpson (Ochil) (Lab)

*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 2

Scottish Parliament

Finance Committee

Tuesday 11 September 2001

(Morning)

[THE CONVENER *opened the meeting at 10:05*]

The Convener (Mike Watson): I call to order the first meeting after the summer recess of the Finance Committee. I welcome all members and I remind the two new members to switch off their mobile phones and to set their pagers to buzz. I welcome Alasdair Morgan and Brian Adam. We have exchanged one Adam—Adam Ingram—for another from the Scottish National Party. I hope that the new members will enjoy their time on the committee and I am sure that they will make a telling contribution.

We have lost Adam Ingram and Andrew Wilson and I wish them well with their new interests. I would like to say something about Andrew Wilson, who has been on the committee since the start. I found Andrew a pleasure to work with—he made many suggestions, the vast majority of which were constructive. I hope that this will not be misconstrued, but we will miss his presence on the committee.

I remind members that at the end of business today we will receive an informal briefing on the inquiry into private finance initiatives and public-private partnerships.

I have received notice from Dr Richard Simpson that he will have to leave at about 10 past 12.

Interests

The Convener: The first item on the agenda is the declaration of interests. I invite Brian Adam and Alasdair Morgan to declare any interests that they feel are appropriate.

Brian Adam (North-East Scotland) (SNP): I have no interests to declare beyond what already appears in the register of interests.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): I have no interests to declare.

Items in Private

The Convener: Item 2 is for me to invite the committee to agree to discuss agenda items 6 and 7—because of their nature—in private.

Donald Gorrie (Central Scotland) (LD): The Procedures Committee hears rumblings from some of the great and the good who think that committees go into private session too often. I am not opposing the suggestion that we discuss the items in private, but there is a general issue that must be given a bit of thought at some time.

The Convener: I take that point on board. The clerks will confirm that from time to time when they have suggested that certain items should be discussed in private, I have said that that was not necessary. There is a general presumption that what we do will be fully open and in the public domain. However, issues such as the two on today's agenda, which are concerned with housekeeping and the framework of an inquiry, have traditionally been dealt with—in this committee and others—in private. There is no intention to hide anything; the outcome of the deliberations will be very much in the public domain as the issues progress.

Correspondence

The Convener: Item 3 is on the Financial Reporting Advisory Board. Members have the exchange of correspondence that Andrew Welsh and I had earlier this year—on behalf of the Finance Committee and the Audit Committee—with the Minister for Finance and Local Government. Members might think that it is rather odd that the minister's response is dated 30 May and that we did not receive notice of it in June, but the reply was late in being received by the clerks so we did not have an opportunity to consider it. The content of the reply is pretty clear—the Audit Committee considered it last week and was content with the explanations in it. If members have no comments on the content of the minister's letter, we will simply note the correspondence.

Police and Fire Services (Finance) (Scotland) Bill

The Convener: Item 4 is the Police and Fire Services (Finance) (Scotland) Bill. We gave the bill some consideration immediately prior to the recess.

The Local Government Committee considered the bill last week and the clerks have been informed that it appears that there are no issues that that committee intends to follow up arising from the evidence-taking sessions. Members will see that the Justice 1 Committee and the Justice 2 Committee have also decided not to report on the bill.

It is my view and that of the clerks that the Finance Committee does not need to report on the bill. If members have other views, I would be pleased to hear them.

Donald Gorrie: It seems to me that the bill is sensible and that the Local Government Committee covered it okay.

The Convener: Is it acceptable to members for the Finance Committee not to report on the bill?

Members indicated agreement.

External Research

The Convener: We move to agenda item 5. I invite Murray McVicar to the table.

I advise our new members that we want to consider how to proceed with the research that Professor Arthur Midwinter conducted for the committee earlier in the year. We also want to receive an update from Murray McVicar on the award of the new research contract.

Murray McVicar (Scottish Parliament Information Centre): We are still in the process of awarding the outcome budgeting contract. The tenders have been received and later this week—or next week—we hope to announce who has been successful.

The Convener: Was there quite a lot of interest in the contract?

Murray McVicar: Yes, but only two full tenders were submitted. We assessed those tenders and sought clarification from those who submitted them in order to be absolutely certain that they understood what we were asking for and that they will be able to fulfil the contract. When we get that information, we will make a final assessment.

The Convener: We look forward to learning the outcome of that process.

The second part of item 5 is related correspondence, which was sent to members with their papers. It includes the response from the Minister for Finance and Local Government to the research report—which, of course, we sent to him—and Professor Midwinter's response to the minister's letter. As members can see, there was a misunderstanding in the penultimate paragraph of the minister's letter, in which he makes the error of confusing "cost cutting" with "cross-cutting". I noticed other spelling and grammatical errors in the letter—someone should proofread such documents before they are sent out.

That aside, Professor Midwinter's response clarified the position. It is suggested that we should invite Professor Midwinter and possibly Jim Stevens—who assisted him on the research—to discuss ways in which we might develop the research findings. In the light of our forward work programme, which we will discuss later—it is not a formal agenda item, but it was sent out with the papers—we have provisionally set aside our meeting on 2 October for that discussion. Do members agree that it would be worth the committee's while to invite Professor Midwinter back to talk through those issues?

Mr David Davidson (North-East Scotland) (Con): There seem to be undercurrents in the minister's letter, although he was not specific. I

understood from his letter that he had difficulties with some of the issues that were raised in the research, but I am not sure whether those difficulties arose from a straightforward misunderstanding. Have you had an opportunity to discuss the correspondence informally with him? Perhaps you could share with the committee a broader view of where the minister was coming from, aside from the confusion over “cross-cutting” and “cost cutting”.

The Convener: I have neither had such an opportunity nor have I sought one. What points of ambiguity did you have in mind?

Mr Davidson: I did not think that the minister was saying “This is my ball and I’m the one who will make the rules.” It was not as bad as that. However, although he has welcomed further discussions on a variety of issues—I am not thinking only of this particular letter—I wonder whether the committee sees enough of him. His meetings with the committee appear to be formal, procedural exercises. I do not argue that those meetings should not take place, because he comes to them with an open mind, which pleases me. However, changes are being made and we are still engaged in suck-it-and-see exercises in relation to how the budget process—the information flows and the understandings—will pan out.

10:15

Perhaps we should have an early, informal discussion with the minister about his and his officials’ relationship with the Finance Committee. That relationship will be passed on in two years. Who knows who will be here then? We must have in place not only the correct procedure, but the correct working relationship. Such a discussion would make that easier for everyone.

The Convener: I am amenable to that suggestion. Our meeting on 30 October has been set aside for an informal meeting with the minister on the budget process. We could, no doubt, broaden the agenda for that meeting if we wanted to. I am certain that the minister and his officials would be happy for us to do so. There is no difficulty in us meeting the minister if that is what we want to do—we have met informally and formally with both Angus MacKay and Jack McConnell. Were you suggesting an earlier meeting, David?

Mr Davidson: Yes, if it is possible to fit in such a meeting. It would not have to be a long meeting, but members—particularly those who are new to the committee and who might have some new thoughts—need to get a feel for how we work as a committee and for our relationship with the minister in relation to his Treasury function.

The Convener: We will come back to that suggestion. I would like to hear Elaine Thomson’s comments first.

Elaine Thomson (Aberdeen North) (Lab): We should take up Professor Midwinter’s suggestion, particularly if he is willing to assist us in developing his research findings. It is clear that he is pleased—as he might well be—with the minister’s response to his research.

Given that the minister has slightly misunderstood Professor Midwinter’s proposals, would it be worth extracting and sending to him the pertinent parts of Professor Midwinter’s letter if he has not already received a copy of it? That would clarify matters and ensure that we have the same understanding. Professor Midwinter appears to agree strongly with the minister’s comments, but it would be worth putting those issues in writing to make them clear.

The Convener: I agree. Our papers show that Professor Midwinter copied his letter to his colleague, Jim Stevens. He also wrote to me and, I believe, to Angus MacKay. He might not have sent him the same letter word for word as the one that he sent to me, but I have the impression that he wrote to the minister. I will check that, but I would be surprised if he had not written to the minister. When Professor Midwinter contacted me during the recess, I advised him to write to the minister directly and, although I am unable to be specific, I understand that he did so. If he did not do that, we will make sure that the information is passed on.

Elaine Thomson: I am sure that Professor Midwinter wrote to the minister, but it would be worth while clarifying whether that happened, given that he and the minister are in agreement in their views.

In general, over the past two years there has been a good relationship between the Finance Committee and the finance ministers and their officials. That applies to Jack McConnell and, I argue, to both the present finance ministers and their officials. They have been open with the committee on a number of occasions and they are willing to work with us. That relationship would be well worth maintaining and developing.

Brian Adam: On the general business of expenditure reviews, I presume that the committee has tried to keep matters as open, accessible and transparent—whichever word is most appropriate—as possible. I found it disappointing that the minister gave only the top-line changes in his previous budget statement. He did not go into how those changes would affect individual programmes, why he was able to make them and what their impact would be.

I would have thought that, since one presumes

that the changes were made in consultation with his cabinet colleagues, the detail down to level 3 must have been available at that point. It was disappointing that it took several weeks to get the answers to a series of questions. The detail should have been published at the same time as the statement. We were all looking for that kind of openness.

The Convener: We made that point in our stage 1 report and the minister commented on that in his response. We have asked that we be given the maximum amount of information as early as possible. I think that it is fair to say that there is movement on that.

Dr Richard Simpson (Ochil) (Lab): I want marginally to amplify that point. The question concerns not simply where the money is being taken from, but to where precisely it is going. The announcement of £286 million for health was extremely welcome, but what does that mean? In his speech, Angus MacKay said that the spending ministers would make further statements. However, unless I have missed it, the level of detail that I expect has not appeared. That is partly because the statement was made near the recess. We need some mechanism whereby either the subject committees or the Finance Committee have the opportunity to examine such statements to consider where precisely the money is being rejigged. We should remember that although £200 million of new money—consequential from the UK budget—was made available, the readjustment of programmes made up the balance of the £286 million.

Brian Adam: It was £289 million.

Dr Simpson: Yes—£289 million. Thank you, Brian.

It would be helpful if we could correlate all that so that, instead of seeing only the level 1 changes, we could see precisely what is happening.

The Convener: We can consider that point when we give some thought to the minister's response to our stage 1 report. My reading of the minister's response is that he suggests that each department should give more information, which the subject committees themselves should seek from ministers. That is fair enough, but information must come back to the Finance Committee—we would need to have sight of all the responses. Departments' replies would not need necessarily to be channelled through the Finance Committee, but we would need to get the information from the individual committees. Dr Simpson's point is well made and we will return to it when we consider the minister's response to our stage 1 report.

Donald Gorrie: Angus MacKay's letter is encouraging. Taking into account my jaundiced view of the civil service in general, I think that

either the service is moving or Angus MacKay has moved it a bit. The most encouraging point was the statement in the longest paragraph on the second page, which says:

"I would gladly provide the resources to cost those options to the best of our ability."

We have discussed endlessly how we are wasting our time unless we have options from which we can choose. Angus MacKay's letter says that the Executive considers options in private and proposes the options that it thinks are the best, but that it will not set out options for us. However, he says that committees can propose and cost their own options. We should pursue that with the subject committees. The fact that Angus MacKay is offering to get such options costed would mean that they would be real options. For example, instead of simply saying that it would be nice if we had more physiotherapists, we could cost how much so many physiotherapists would cost. We should certainly pursue that very vigorously.

Alasdair Morgan: I agree with Donald Gorrie. Anybody who is not in Government—members of committees or the Opposition—always faces the problem that, although they can come up with bright ideas, they do not have the wherewithal to see how their ideas would fit into the budget. It is clear that the minister's commitment would need to be limited, because the resources that would be required to cost many ideas would be significant. However, I welcome the minister's commitment as a step forward.

Mr Davidson: I return to my earlier point to the effect that we need to chat with the minister about such issues. Although he is willing to provide the resources to cost different options, he perhaps does not appreciate the amount of time and effort that the subject committees would require to be able to get to the point of suggesting alternatives that could be costed and that we could slot together.

I am worried about our working practices and the compressed time scale within which the subject committees must deal with the budget process. Because of lack of time and information, last year's budget process was more or less a failure. Even the minister admits that everybody was looking at the process rather than the content. The Finance Committee and the ministerial team, in conjunction with the subject committees, need to make an effort to shift the emphasis so that we have a meaningful process. Otherwise, people must cover loads of work, from which there is no real outcome. That is a serious issue.

The Convener: David Davidson's point about the need to assist committees in proposing options will be considered under the next agenda item, in which we will consider the appointment of advisers

and so on. We have recognised that, because of time constraints, it is not reasonable to expect the committees to propose a range of options. We will consider how that can be overcome.

On David Davidson's initial point, we have tentatively pencilled in 30 October as the date on which we will take evidence from the minister. Have the clerks spoken to the minister's staff about that, or is that simply a date that would suit us? Do we know whether that date would suit the minister?

Callum Thomson (Clerk): We have approached the minister's office about that date, but we await a response.

The Convener: Although I share David Davidson's desire for an earlier date, I am not sure about the practicalities of that. I assume that we will go ahead with the briefing from Professor Midwinter on 2 October, so the only date that is free in our forward programme is next Tuesday, which would be too short notice for the minister. We will need to leave it until 30 October to ensure that we get maximum mileage out of the meeting.

Does Murray McVicar want to add anything before we move to the next item?

Murray McVicar: No. When Arthur Midwinter appears before the committee on 2 October, he might be able to explore issues such as how committees can generate options. The meeting will be quite useful from that point of view.

The Convener: That concludes item 5. The committee has agreed to go into private session for agenda items 6 and 7.

10:27

Meeting continued in private until 11:20.

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