

FINANCE COMMITTEE

Tuesday 25 September 2001
(*Morning*)

Session 1

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FINANCE COMMITTEE

19th 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 :

Professor Brian Ashcroft (Adviser)

CLERK TO THE COMMITTEE

David McGill

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McNally

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 25 September 2001

(Morning)

[THE CONVENER *opened the meeting at 10:13*]

The Convener (Mike Watson): I call this meeting of the Finance Committee to order. I am sorry for the delay, but the train from Aberdeen that was carrying Brian Adam and David Davidson was delayed, which deprived us briefly of a quorum. Richard Simpson has also had travel difficulties, but he is coming from London, which is further afield. He hopes to be here for the later part of the meeting.

I issue the usual warning to everyone in the room about mobile phones and pagers. I welcome David McGill as acting clerk to the committee. I am not sure whether that title will last for long, because I understand that his appointment will be permanent. I congratulate him on that and I look forward to working with him. I would like to record my thanks to Callum Thomson, who has moved to the Transport and the Environment Committee, for his work as clerk team leader in the past 18 months.

I have received apologies for absence from Donald Gorrie and Elaine Thomson.

Items in Private

The Convener: Item 1 on the agenda invites us to discuss items 5, 6 and 7 in private. In the interests of having no more of our business outwith the public gaze than is absolutely necessary, we should amend that slightly. I suggest that we discuss items 5 and 6 in private, but that we discuss item 7 in public after item 4. Is that suggestion agreed to?

Members *indicated agreement.*

External Research

The Convener: Item 2 is on external research, which has been on the agenda previously. The research contract to investigate a move to outcome budgeting has been awarded to Norman Flynn, who was formerly a director of the public services management programme at the London School of Economics and Political Science. He has published "Public Sector Management", which will soon be republished in an updated version.

10:15

The clerks and Scottish Parliament information centre staff will have a meeting with Mr Flynn presently and soon after that he will be invited to a meeting with the committee to outline his proposals and discuss them with members. Murray McVicar is here if members want to have a word with him about that, but my announcement is factual and we will have a chance to meet Mr Flynn soon. I ask committee members to note those arrangements.

Voluntary Sector Funding

The Convener: Item 3 is on voluntary sector funding. Members have a message—mine came by e-mail—from Donald Gorrie about voluntary sector funding. I say for the benefit of new members of the committee that we have been considering the matter for some time. The paper from the clerk outlines that history and the present position. Donald Gorrie's message makes it clear that he does not want the review of voluntary sector funding to be delayed until next year and—even then—for it to be uncertain.

In the light of the additional information that we have received in writing and subject to our discussions with Peter Jackson, I think that our inquiry into private finance initiatives and public-private partnerships will be extended at least until March 2002. The budget and the budget bill are also to be considered during that period so it is inconceivable that we could take on another inquiry. I am open to members' views, but my view is that we should decide in principle that our next inquiry will be into voluntary sector funding, subject to two provisos. The first is that the Social Justice Committee, which is examining the voluntary sector—including funding—does not produce so much information that we have no room to make progress. I have spoken to Johann Lamont, who is the convener of the Social Justice Committee, and I do not think that that committee is likely to go into such detail. The second proviso is on unforeseen circumstances; if a pressing matter arises in the interim, we will delay the review.

I suggest that we take a policy decision that our next inquiry will be into voluntary sector funding, subject to those two provisos. I am not asking for immediate agreement, but if members want to contribute, they can do so now.

Mr David Davidson (North-East Scotland) (Con): I read the clerk's paper, which is focused. It is important that the PFI/PPP inquiry is done in depth and correctly and that we do not rush it. I know that we will discuss the PFI/PPP inquiry later, but I have concerns about the time that we have allowed ourselves and the range of activity that we will undertake.

If the Social Justice Committee carries out a short-term inquiry into the voluntary sector, that could be the basis—with Adam Ingram and Donald Gorrie's work—for considering how to approach the review. However, I do not recommend that we set as a firm target that the review of voluntary sector funding will be our next inquiry because, as members recall from previous discussions, consideration has been given to an inquiry into the Barnett formula. With the events

that are unravelling in Westminster, I suggest that we keep our options open.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): I agree with David Davidson. Although funding in the voluntary sector is important, we can say the same about many other departmental issues in the budget. It is not exactly clear why, next March or when some time becomes available to us, voluntary sector funding will necessarily be the most important issue before us. We should make a decision when the time comes.

The Convener: That is a different suggestion. The clerk suggested that we should not make a decision today. I take on board Alasdair Morgan's comments about there being other important issues, but we have committed ourselves to an inquiry into voluntary sector funding and Donald Gorrie has been the driver of that commitment. I do not know whether any member might wish to fill the gap left in the committee by Adam Ingram's departure, but Donald Gorrie will still drive forward our commitment.

I take the point that funding in the voluntary sector is not the only important issue, but we have made some progress on it and I do not want to leave it hanging in the air. David Davidson is correct; the Barnett formula has been considered, but we did not get an inquiry under way on that. I am not sure what events are unfolding south of the border—perhaps I have missed something in the past couple of days. I prefer our commitment to be firmer than merely saying that we shall consider the matter again in March. The work that we have done provides the basis for a stronger commitment. I said that we would take up the matter unless there were compelling reasons not to. We shall no doubt consider it again in March after our consideration of public-private partnerships and the public finance initiative. Are members agreed?

Members indicated agreement.

Budget Process 2002-03

The Convener: We have received a response to our stage 1 report from the minister, which was also circulated at our previous meeting as part of our consideration of the budget process. I welcome Professor Brian Ashcroft—our adviser for the budget process—to the committee. Do you have any initial comments on the minister's response to our stage 1 report?

Professor Brian Ashcroft (Adviser): I have not looked at that report, to be honest. I was reading the draft budget.

The Convener: Members of the committee have had an opportunity to consider the minister's response. Does any member wish to say something about it?

Mr Davidson: Underlying the response is the notion that members of the Scottish Parliament have unlimited access to civil servants in the departments that are responsible for the briefs with which members deal. Although I have had arrangements with the current and previous finance ministers in specific areas—as I have had with another minister—such arrangements were specific and agreed. Within the rules that govern civil service activity are certain procedures that allow for such exchange, but only in limited circumstances.

We should write to the Minister for Finance and Local Government about that, because he is virtually suggesting that each committee should deal directly with the department without going through him. That is novel, so it is important to clarify the situation. Paragraph 7 uses the phrase “through engagement with their departments”.

I do not think that the minister has grasped what we meant by asking for such detail. It is all very well for him to say that we divide funding into income and expenditure, but we must track from where funding and spending proposals have come. It might be that funding had been announced previously and is now in a reserve or part of end-year flexibility because it was not spent.

One of our complaints is that we have never known how the budgets have been rolled out and whether they have been spent. We just hear sudden announcements about flexibility, but we do not know whether the money is new or re-aligned money. Much of that confusion could be avoided if we received the details for which we asked. I accept that a work load is involved, but if we are to have transparent and open discussions with ministers and departments about the roll-out of the budget and how it is identified for the

public's consumption, we must stand our ground while allowing compromise and realism to creep in.

In paragraph 9, the minister said that he did not want documents to

“become an encyclopaedia of everything that the Executive publishes.”

However, we want to know whether some moneys have been re-announced or re-aligned, because not knowing that is a difficulty that we have experienced during the past two years. The process is growing and I am not arguing about that because improvements have been made, but knowing about such matters is a key point of the agenda that the committee must pursue. It is all very well saying that we are not the Audit Committee, but that committee concentrates on what happens after the event. We try to get in ahead of the event and approve and consider alternatives to budget proposals. That means that we must have complete transparency from the minister.

Brian Adam (North-East Scotland) (SNP): I have a similar point to make about paragraph 6. The minister is dismissive of identifying absolutely the source of finances. He is willing to go along with the idea of giving the net figure, but we want to know in detail the source of the finances. Last year, there were savings of £289 million, but it took some time and many questions to gain such knowledge. Such information should be given automatically. We should not have to dig for it. I am not too happy with the minister's response to item 6. My complaints are probably along the same lines as David Davidson's.

However, I have some sympathy for the minister, given the draft budget—big, fat document that it is—but it is important to know what changes have taken place, why they have taken place and what will be their likely impact on spending programmes. If we do not receive such information, we have to hand only gross figures, about which it is difficult to make meaningful and informed comment.

Alasdair Morgan: David Davidson made the point about the minister's suggestion that it is the job of subject committees to pick up most of the detail. That is fine and well, but having been a member of a subject committee, I can say that it is not necessarily obvious in the time that is available whether subject committees can go into such detail. They tend to focus on one or two areas within the department and take the rest as read in that specific year. It is incumbent on the Finance Committee to look at the whole picture, but we cannot do that unless we have the encyclopaedia in front of us—even although the minister is unwilling to make it available.

The Convener: That point has been well made and the idea that subject committees could take on more detailed scrutiny than they do currently is fanciful at this stage. Matters might improve, however, if we can develop our support when examining the budget, and if our adviser is given more time from which other committees can benefit. We can feed such issues into our discussions with the minister, which I confirm will be on the afternoon of Tuesday 23 October. That meeting could not take place on 30 October.

By and large, I believe that the minister's responses are positive. He said that he would explore ways in which to deal with many of our suggestions. However, at point 2, he said:

"I would like to take that opportunity to make the first moves towards a budgeting system that gave more emphasis to outputs and the impact of expenditure."

What does the minister mean by that? How would such a system operate? He goes on to say:

"I believe it would be very difficult to set out a document with timescales at present."

I have written "Why?" beside that sentence. We must have an explanation for such a statement, because time scales are important.

As for the subject committees, mention is made at point 12 of putting forward the information that is sought

"in either the AER ... or in a separate memorandum to the Committee."

I want clarification of whether that refers to this committee or a subject committee. I think that it probably means that the subject committee would have to ensure that the Finance Committee was given copies of complete documentation.

In the final sentence of his response, the minister says that he would be happy to discuss those points in more detail. We could take up that invitation either during our stage 2 consideration of the budget process or at our meeting on 23 October.

10:30

Mr Davidson: I return to the comment that you made about point 2 in the minister's letter. We had some informal discussion with Peter Peacock, if I remember rightly, about the move towards outcome budgeting. The committee felt that that was helpful to the subject committees, which might not be going through the pounds, shillings and pence, but are examining the delivery and design of services. When he appeared before the committee at its meeting in Perth, Peter Peacock agreed to that in the general discussion. Perhaps the clerks could have a look at the *Official Report* to check what he said, but that rings a bell for me.

It is an important step for the ministerial team to acknowledge that there is a requirement for outcome budgeting, because it would also be helpful to those who participate in public services, either as recipients or as workers. It would also help the public's general understanding. They do not understand how much it costs to run a policeman on the beat, but how often they see one. That is part of a conceptual approach to improving budgeting. I find that acknowledgment rewarding.

The Convener: If members have no further points to make, we shall note the minister's response and the issues that have been raised, with a view to taking those issues up with the minister at a suitable opportunity. We shall return to Brian Ashcroft when we examine the draft budget itself.

Committee Meetings

The Convener: As agreed, we move now to agenda item 7, which concerns a meeting of the committee outside Edinburgh later this year. The clerks have prepared a discussion paper. We had felt that we should go to a southern location other than Dumfries, but the only suitable venue in Stranraer is not available on the day. It is therefore suggested that we go to Dumfries, because that looks like the best option. Do the clerks have any comments?

David McGill (Clerk): We have nothing to add. Dumfries has presented itself as the best option for all concerned.

The Convener: Alasdair Morgan might want to comment, because he has local knowledge.

Alasdair Morgan: I do not particularly want to push a constituency interest. However, although the discussion paper highlights problems about Kirkcudbright, I was not sure what was meant by external catering. Given the numbers involved, I am not sure exactly how many pies we would need at lunch time. I am sure that we could cope.

I am not aware of any accommodation problems in Kirkcudbright, either in the town or in the surrounding area. If there is an immediate problem in the south-west just now, it is that there are too many rooms empty rather than that there are not enough rooms, but perhaps the clerks have other information of which I am not aware.

The Convener: The clerk tells me that catering would be required not only for members of the committee, but for all the support staff and others who might be involved on the day. I do not know whether those problems are insuperable.

The recommendation is that we go to Dumfries, but it is up to members whether they want to recommend that we go to one of the other locations.

Brian Adam: If the problems in Kirkcudbright relate only to external catering, I am sure that they will not be insurmountable. If we are all travelling to Kirkcudbright, it is unlikely that we will do so by train or by some other mode of public transport, so the fact that we might have to go a mile or two to get accommodation is not an insurmountable problem. We should be trying to take the Parliament's committees to as many places as we realistically can. If it is at all possible to go to a location other than Dumfries, where a committee has already met, we should do so. I have no brief for going to one place over another, but if the only problem with Kirkcudbright is to do with coffee and shortbread, I cannot see how that is insurmountable.

The Convener: There might be one other consideration—the fact that we will be bringing the minister to the meeting. The extra travel time might affect something else that he is doing on that day.

Alasdair Morgan: The journey to Kirkcudbright would be only half an hour longer than the journey to Dumfries.

The Convener: Is that so? I am showing my ignorance of the area and I hope that the trip will help me to overcome that. If it takes only half an hour to travel from Dumfries to Kirkcudbright, that should not be a problem.

Mr Davidson: I would like the clerks to comment on the ease of public access to Kirkcudbright. Are there good communication links for local people to get access to come and listen to what is going on? I do not mean those who might come to give evidence, who tend to be well supported. Members of the general public might want to express an interest and I do not know how good transport links are in the area.

David McGill: Access for the public in Kirkcudbright was adequate, but it was certainly much better in Dumfries. Given the number of people who turned up at committee meetings that were held outwith Edinburgh last year, we anticipate that there might be great interest in our meeting. That was another consideration that swung us towards Dumfries.

Alasdair Morgan: It depends on the area that we are trying to put ourselves in the centre of. There is no doubt that more roads and rail lines converge on Dumfries than on Kirkcudbright, but we could also say that more such links converge on Edinburgh than on Dumfries. It is a matter of how far we take that argument. We must decide exactly where we want to position ourselves.

The Convener: It was the committee's aim, in going to Aberdeen and Perth, to meet in areas that parliamentary committees had not hitherto visited. That was why we considered places other than Dumfries.

Brian Adam: That is a good principle. If the problems in Kirkcudbright are not insurmountable, we should go there.

The Convener: We must decide one way or the other today, because time is short. We will not meet again until after the October recess, and time will be very short then.

Brian Adam: In that case, I suggest that we go to Kirkcudbright.

Mr Davidson: I concur.

The Convener: Is that agreed?

Members indicated agreement.

The Convener: As agreed, we now move into private session for discussion of agenda items 5 and 6.

10:37

Meeting continued in private until 11:20.

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