

FINANCE COMMITTEE

Tuesday 15 January 2002
(*Morning*)

Session 1

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FINANCE COMMITTEE

1st Meeting 2002, Session 1

CONVENER

*Des McNulty (Clydebank and Milngavie) (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)

*Mr Tom McCabe (Hamilton South) (Lab)

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

ACTING CLERK TO THE COMMITTEE

David McGill

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McNally

LOCATION

The Chamber

Scottish Parliament

Finance Committee

Tuesday 15 January 2002

(Morning)

[THE CONVENER *opened the meeting at 10:09*]

The Convener (Des McNulty): I begin by apologising for being late. Donald Gorrie sends his apologies for his absence due to illness. He hopes to be back in time for the next meeting. I ask committee members to turn off their mobile phones.

Item in Private

The Convener: Item 1 is to ask the committee to discuss item 5, on the options paper on possible private finance initiative case studies, in private. Is that agreed?

Members *indicated agreement.*

Budget (Scotland) (No 3) Bill

The Convener: Under agenda item 2, the clerk will give us an update on the Budget (Scotland) (No 3) Bill. A paper on the bill has been circulated to members, and I invite David McGill to comment on it.

David McGill (Clerk): The paper is pretty self-explanatory. Members will notice that the time scales for dealing with the budget bill are tight. Most current members of the committee have not yet dealt with a budget bill. To add to what is set out in the paper, it is worth pointing out that, at stage 1, the budget bill is referred immediately to the Parliament for a decision on its general principles and there is no direct involvement by the committee.

The first time that the committee deals with the bill is at stage 2. We felt it worth while highlighting the proposed handling of the bill now, because the committee will be asked to consider the bill at stage 2 at its next meeting. Rather than going straight to the formal proceedings—which might, because of the way in which budget bills are handled, be quite brief—we have asked the Minister for Finance and Local Government to attend that meeting to speak to the budget bill in general. Members will be able to question the minister on the budget bill's content before we begin the stage 2 proceedings.

I am happy to answer any questions.

The Convener: If members have no questions, I presume that they are content with the proposed handling of the Budget (Scotland) (No 3) Bill.

Members *indicated agreement.*

The Convener: We will see what members think about the bill's content when it comes up for discussion.

Financial Scrutiny

The Convener: I asked for this item to be put on the agenda because I think that we should reflect on how the Parliament's first budget processes have been conducted and decide whether we are content with the procedures that are involved.

The Finance Committee inherited the financial issues advisory group—FIAG—report. The Procedures Committee has been reviewing the consultative steering group recommendations to establish whether they have been implemented adequately through the Parliament's standing orders and procedures, and I wondered whether the Finance Committee felt that there could be scope for reviewing the application of the FIAG recommendations, as a parallel exercise to that which is being undertaken by the Procedures Committee.

In my view, we would not want to do that in precisely the same way that the Procedures Committee has adopted, because our exercise would be different. The committee might want to consider whether it feels that the FIAG recommendations have been implemented and whether there is any scope for modifying those recommendations in the light of our experience of financial procedures over the past two years. In that context, it occurred to me that, given that we have the experience at our disposal and that FIAG examined the budgetary models that apply in other devolved contexts, it might be worth re-examining other models and finding out how ours stands up in comparison with the methods of conducting budget processes elsewhere.

There are issues around how well other committees of the Parliament, as well as this one, can conduct their budgetary reviews in their subject areas. We now have on board Professor Arthur Midwinter, who is helping to develop the budget with us and, potentially, with other committees.

A number of approaches, therefore, are available for reviewing the financial monitoring and budgetary procedures, and I suggest that it might be good for the committee to begin to do that. I simply propose that as a potential area of work for the committee. It is really just a suggestion.

10:15

Mr David Davidson (North-East Scotland) (Con): Two or three points spring to mind. First, what powers does the Parliament have and how can we influence them and the decisions that are made? The Parliament would have to decide on any changes to the budget process, should we come up with any firm recommendations. Presumably the clerk will be able to update us on

that at some stage.

Secondly, there has been extreme dissatisfaction on the part of various committees over the past three years. Part of that involved the teething problems at the beginning of the parliamentary session, about which nobody is arguing—the Parliament will evolve in time.

I also sit on the Audit Committee, of which Brian Adam is a former member. I think that there has to be some connection between the Finance Committee, with its forward-looking view, and the Audit Committee, with its reflective view. At the moment, the Audit Committee—about whose remit I am not very happy—tends to consider specific items that are referred to it directly from the Auditor General for Scotland; it does not examine the decisions that were made in the budget process, or the outcomes. We are interested in examining the outcomes, and we have been discussing that for the past two years or so.

That sort of discussion has to be timetabled in such a way as to lead to a debate in the chamber, so that the Parliament may, at the end of that period, however long it may turn out to be, make a decision. All the other committees—and, in particular, the conveners—would like to comment on the impact on the committees' workings. There is a huge amount of frustration among them, much of which comes down to the qualitative aspects of the budget process, as opposed to the quantitative aspects.

I am happy to support the convener's suggestion that we conduct a review, but I think that a paper needs to be produced to specify what we might examine.

The Convener: I intended just to float my idea to find out members' responses. Perhaps we could produce a paper to set out how we might proceed from here.

Elaine Thomson (Aberdeen North) (Lab): This is the third budget round for David Davidson and me, and I agree that it would be appropriate for us to take a look at the process. It is becoming obvious to me how long and drawn out the process is, and perhaps it does not need to be like that. The committees' input to, and relationship with, the process could perhaps be improved.

The Finance Committee previously conducted an informal, minor review of some aspects of the budget process; it would be worth looking at what was done before, so that we can build on that.

I agree that it is always valuable to consider other models and how people conduct budget processes elsewhere. A fairly wide exercise was carried out by FIAG in the first place, when it was preparing its report. I cannot help feeling that we should modify the process in the light of our

experience and to fit our requirements here in the Scottish Parliament, rather than spend too much time considering other models, unless there is something particularly obvious or valuable to be learned from elsewhere.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): I agree with what has been said. Having gone through the budget process once, I am not clear about what would have been different at the end of the process if we had simply not bothered. Nothing much seemed to change compared with what we had at the beginning, to be honest. A review of the effectiveness and aims of the budget process would be useful.

Brian Adam (North-East Scotland) (SNP): The paper on the budget process that we agreed previously showed how constrained we are in dealing with it. In effect, we cannot make any amendments.

The Convener: Actually, that is not right.

Brian Adam: Considerable frustrations have been voiced by the Finance Committee and other committees about the process. I think that the convener's suggestion about a fundamental review of the process is well worth while.

Perhaps the clerks should go through previous committee *Official Reports* to ascertain where the frustrations lay. They could even go back to the debate, early in the session, about the Public Finance and Accountability (Scotland) Bill, when a number of concerns were raised about the process. To be fair, some of those concerns have been worked through with the Executive and successive finance ministers have made, or agreed, changes to the process. However, there are still a few things to be considered.

The Convener: Having been a member of a number of subject committees, I am aware of the level of frustration that exists. I am also of the view that I tended to know a lot more about the choices that were being made when I was involved in local government than I do in this context. There are some issues of transparency that we could push forward.

The FIAG report envisaged that the Finance Committee could have a specific role in developing budgetary suggestions and alternatives, as could some of the subject committees, but that power has not been used. We might want to ask what would make it possible for a committee to take an alternative view on a budgetary issue. There are a number of issues to do with enabling, empowering and clarifying that we could cover as part of our review.

Elaine Thomson mentioned alternative models. I was not suggesting that we go through exactly the same exercise as FIAG did with international

comparisons, but we should not be blind to such comparisons. We might want to review FIAG's work and see whether there are any further models or examples that might be relevant to our experience and practice.

Mr Davidson: We are considering a paper from the clerk, which deals with stage 2. It always strikes me as rather odd that when we get to stage 2 we are unable to pursue any recommendations for change—only the Executive can do that. If the Executive listens, that is fine. If it does not, the budget is rubber-stamped and out the door. That strikes me as one of the fundamental weaknesses of the process, never mind the work that is done in getting to the bill itself. There are refinements to be made in that process, but being able to pursue recommendations for change would at least allow us to have a proper debate, as happens with other bills. That is not happening, and has not happened, in dealing with budget bills.

Mr Tom McCabe (Hamilton South) (Lab): People will always moan about budget processes. No one is ever really satisfied with them, least of all members of Opposition parties, who would like to be in the Executive's place and therefore always moan about the budget. I mean no disrespect to Opposition members when I say that they always moan about the budget; that is their job, after all.

If the Finance Committee and other committees were encouraged to state in simple terms where their dissatisfaction with the process lies, a discussion with the Executive could ensue about what the Parliament sees as shortcomings and how they might be rectified. If there is no such dialogue, members could still be complaining 10 years from now about shortcomings in the budget process. Over the past few years, Executive ministers have taken on board some points that have been made and have been prepared to modify some things, although perhaps not as much as some would like. Clearly, that is not satisfying the Parliament and perhaps it never could. Rather than getting over-involved in a discussion that is, for want of a better phrase, a greeting meeting, perhaps the Finance Committee and other committees should lay down in simple terms what they think the shortcomings are. That would allow us to engage the Executive in a discussion about how it feels any changes would impact on its ability to administer the budget properly.

Mr Davidson: Is not the point that we spend far too much time talking about the process and not enough on the content and outcomes of the budget?

The Convener: There is an issue about whether we are spending too much time on the annual budget review, rather than considering a biennial

review or what comes out of the spending reviews. There are a number of issues about how we manage our business, about the procedures that the Parliament operates and about how other committees are being empowered or otherwise in the process. All those things could come out of a review of the initial principles and an examination of how they are being applied.

I sense that committee members would support such a review. We could sketch out a paper for the next meeting to lay down a basis for how that could be done. I could speak to the clerks with a view to seeing what resources would be needed to support us in conducting such a review. There is a deadline for applications for such resources at the end of this week. We could make a general bid for support, but it would be for the committee to define more precisely how the work would proceed. We could discuss that further at our next meeting. Is that agreed?

Members *indicated agreement.*

Committee Meetings

The Convener: Item 4 is consideration of a proposed schedule of meetings. Following discussion with the clerks, I have tried to identify the main elements of business that we have committed to undertake between now and the end of June and to identify dates when that business could be transacted. Members will note that we are trying to establish a fortnightly cycle of meetings. We might need to have odd additional meetings, but we should aim to stick to a fortnightly cycle. I know from previous conversations with committee members that that would be advantageous.

Brian Adam: I welcome that approach, but is there any possibility of us having a slightly later starting time, in the light of the obvious difficulties that many of us have in getting here for 10 o'clock?

The Convener: It really depends on the content of the meeting.

Brian Adam: Today's meeting is a prime example of one that would have been highly suitable for a 10.30 start.

The Convener: I made that point to the clerk, but we felt that I should not mess about with the meeting times without getting members' agreement. If the agenda allows us to start meetings at half past 10, I will endeavour to do that.

Brian Adam: In that case, could the committee agree that you have that discretion and that that should be minuted? If we did that, you would not have to consult members, so long as adequate notice was given when the papers for the meeting were sent out.

Mr McCabe: Surely you do not want too much power to be vested in the convener?

The Convener: I assume that members are encouraging me to use that power. Changing the start time of meetings will also depend, in part, on the discipline of committee members in not going on for too long. We shall see how that works out.

I shall ask the clerk to list the high points of the schedule to reinforce their importance.

David McGill: We have factored into the schedule that was agreed by the conveners liaison group the business that the committee has to get through. There are one or two things that are worth pointing out and there are a couple of things that the committee may have to take a decision on this morning.

We have pencilled in a briefing from Professor Midwinter at the meeting on 12 February. That could contribute to the discussions that we have

just had on reviewing the scrutiny of the budget. Work is under way on this year's budget in relation to supporting the work of subject committees, and Professor Midwinter is being asked to update the committee on the work that is in progress. That may give members a steer on how we hope to improve the scrutiny of next year's budget.

The other main thing that the committee should be aware of is the possibility of meeting outwith Edinburgh during stage 1 of next year's budget. As members know, we now have a public commitment to meet outwith Edinburgh at both stage 1 and stage 2 of each budget cycle. We had pencilled in a meeting in the northern isles for Monday 27 May. We thought that Shetland would be an ideal place to go to, because the Parliament has not yet visited the northern isles. We have since learned that the Enterprise and Lifelong Learning Committee is committed to meeting in Shetland at about the same time.

10:30

We think that there would be little merit in two parliamentary committees meeting in the same place at the same time. Members may want to discuss where we should hold that meeting. We also think that there might be difficulties in holding a meeting on the Monday of the week in which the Parliament will meet in Aberdeen. As members would have to be in Aberdeen anyway, and as three members of the committee are from the Aberdeen area, we had thought that it would be a good idea to tag on a committee meeting to the Aberdeen visit. However, that might give rise to problems and I would welcome members' views on the suggestion.

The Convener: For clarification, might there be problems because we expect a meeting of the Parliament to be held on the Monday? Might there be accommodation issues?

David McGill: I do not think that any of the meetings of the Parliament will be held on the Monday. However, there might be travel problems if we were in the northern isles on the Monday. The Parliament is scheduled to meet at 10 am on the Tuesday; we will have three full days in Aberdeen rather than the current meeting pattern. There may be problems in getting the committee from the northern isles to Aberdeen on the Monday night, to be there for the meeting of the Parliament on the Tuesday morning.

Alasdair Morgan: I thought that you were suggesting that we should not go to the northern isles because the Enterprise and Lifelong Learning Committee is going there.

David McGill: Orkney would still be an option for the committee, if it wanted to go to the northern isles. However, the committee may decide to stay

on the mainland to alleviate some of the travel problems, or to move the meeting to the following week.

Mr McCabe: Would it be possible to bring the meeting forward by a week, to 20 May?

David McGill: The purpose of the meeting, following the pattern that we have set so far, is to take evidence on the budget from local organisations in the morning and to hear from the minister in the afternoon. We have found it helpful to hear the minister's evidence after we have considered everything else in relation to the budget. Bringing the meeting forward by a week would pose problems, as we would not have time to consider the subject committees' reports before we heard from the minister.

Mr McCabe: That makes sense.

Elaine Thomson: Would it be possible to put the meeting back by a week? I support the idea of moving the meeting to an alternative date and location, given the fact that the Enterprise and Lifelong Learning Committee plans to go to Shetland. However, I have no clear view on where we should go. I presume that you have a list of the different places where all the committees have met. We have always attempted to go to places where no committee has been previously.

The Convener: Moving the meeting back by a week would cause problems, as 3 and 4 June are public holidays.

Elaine Thomson: They are only public holidays in Edinburgh.

Alasdair Morgan: No, they are jubilee holidays.

The Convener: It might be possible for us to hold the meeting in Aberdeen on Monday 27 May. We could go up there in the afternoon.

Mr Davidson: What about Stonehaven? It is on the rail line and all the trains from Glasgow stop there.

Elaine Thomson: Or Montrose.

Mr Davidson: Not every train stops there. I am thinking about others who will have to come from a distance. It is easier for those of us who live locally.

Elaine Thomson: In my experience, it is fairly straightforward to travel to one place away from home. However, the minute that multiple journeys in one week are involved, it can become a little difficult logistically. There is, therefore, merit in the idea of holding the meeting on a different day or somewhere where it could be combined easily with a journey to Aberdeen. A number of things will be happening in Aberdeen and it might be nice for members to be there on Monday evening.

The Convener: We do not need to make a hard and fast decision on that meeting today. We can ask the clerk to consider the two options of holding the meeting in or around the Aberdeen area on the Monday and of setting an alternative date for the meeting and holding it in another part of Scotland. We can decide between those two options at our next meeting. The meeting is sufficiently far away to allow us to do that and to agree the rest of the schedule today. Is that agreed?

Members *indicated agreement.*

The Convener: The committee's timetable is predicated partly on decisions that we will make under the next agenda item, which will involve members acting as reporters in different contexts. Members will have work additional to the meetings, and if we could minimise the number of meetings, that would be helpful. We have agreed that agenda item 5 be taken in private, so I ask all members of the press and public to leave.

10:35

Meeting continued in private until 11:14.

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