

# **FINANCE COMMITTEE**

Monday 10 November 2003

Session 2

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## FINANCE COMMITTEE

### 12<sup>th</sup> Meeting 2003, Session 2

#### CONVENER

\*Des McNulty (Clydebank and Milngavie) (Lab)

#### DEPUTY CONVENER

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

#### COMMITTEE MEMBERS

\*Ms Wendy Alexander (Paisley North) (Lab)

\*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

\*Kate Maclean (Dundee West) (Lab)

\*Jim Mather (Highlands and Islands) (SNP)

\*Dr Elaine Murray (Dumfries) (Lab)

\*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

\*John Swinburne (Central Scotland) (SSCUP)

#### COMMITTEE SUBSTITUTES

Mr Adam Ingram (South of Scotland) (SNP)

Gordon Jackson (Glasgow Govan) (Lab)

David Mundell (South of Scotland) (Con)

Iain Smith (North East Fife) (LD)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

#### THE FOLLOWING GAVE EVIDENCE:

Richard Dennis (Scottish Executive Finance and Central Services Department)

Iain Hair (South Coatbridge Social Inclusion Partnership)

David Porch (North Lanarkshire Council)

Tavish Scott (Deputy Minister for Finance and Public Services)

Richard Wilkins (Scottish Executive Finance and Central Services Department)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Jane Sutherland

#### ASSISTANT CLERK

Emma Berry

#### LOCATION

Civic Centre, Motherwell



## Scottish Parliament

### Finance Committee

*Monday 10 November 2003*

[THE CONVENER *opened the meeting at 11:40*]

### Budget Process 2004-05

**The Convener (Des McNulty):** I open the 12<sup>th</sup> meeting of the Finance Committee in 2003—at least, I open the formal part of this morning's proceedings. I will repeat on the record one or two of the things that I said at 10 o'clock. I am delighted to be in Motherwell civic centre in North Lanarkshire. The Finance Committee has had a practice of going out to different areas of Scotland at stage 2 of the budget process to give itself the opportunity to examine local issues that arise out of the budget. In the past, we have mainly been to rural areas of Scotland, but this time we are in the industrial heartlands of the west of Scotland. We are particularly pleased to be here.

I have spoken informally to the elected members who participated in the informal workshops, and they have assured me that they found those workshops useful and interesting and that they raised a number of issues. I intend to take feedback from the nominated individual for each workshop, but it will be open to other members of the committee who were at the workshops to add to the report anything that they feel has been left out and to supplement points. It will also be open to people who participated in the workshops but who are not committee members to contribute. I ask that, if anyone wishes to say something, they come up to the table and speak into the microphone so that it will be part of the *Official Report*. If anyone indicates to me that they wish to contribute, I will invite them to the table.

We have apologies from Fergus Ewing and Jeremy Purvis, who will not be able to attend the morning meeting but will be here in the afternoon.

Logically, we should start with workshop 1. I understand that Dr Elaine Murray will give the feedback from that workshop.

**Dr Elaine Murray (Dumfries) (Lab):** I preface my summary by saying that the workshop was useful. I was struck by how many of the issues that were raised as local issues for Lanarkshire were similar to those that have been raised with me about Dumfries and Galloway. That was a surprise to me, as somebody from the south of Scotland, because, in the more remote, rural areas of Scotland, we tend to think that our problems are different, when in fact many of them are similar. There were pointers to issues that are Scotland-wide as well as local and I found that valuable.

I was also struck by the similarities between the issues that the different contributors raised. They were not divergent in their identification of the issues; there was a remarkable amount of similarity in what they said.

I have not had time to summarise the workshop, so I will have to look through my notes, and I do not have my spectacles, which is another problem. However, I can just about read my notes. Infrastructure issues that affect local economic development were mentioned. Changes in infrastructure funding might be required. Issues relating to roads maintenance, for example, were discussed. Such maintenance is particularly problematic here in view of the volume of transport and it could affect business prospects. There are many bottlenecks in the area and traffic flows can be bad.

11:45

Issues relating to Scottish Water and the water infrastructure that seem to be hindering development were mentioned. One contributor said that matters seem to have worsened with the past two reorganisations of the water industry. Developers are now expected to put in money up front as opposed to the water industry putting in infrastructure to allow development to take place. That has tended to prevent development.

Issues relating to skills were mentioned. The shortage of skilled labour in some sectors is not very manifest in this area, but there is an anxiety that skills shortages are becoming an increasing problem with development. It is possible that the Executive overemphasises higher education at the expense of further education, skills and apprenticeships. The point was made that the level of funding per unit for further education is too low compared with that for higher education. Obviously, inclusion issues are involved in such funding. Concern was expressed that standstill growth in the higher education and further education budget—in particular in relation to further education and skills development—would be a difficulty.

The point was made that capital investment is important in the local economy and that local industries should get involved in capital spend. If the Executive is funding capital projects, local businesses should have opportunities to put in bids, become involved and derive financial benefits from doing so. There is concern that there could be implications for local businesses if there has been a shift from capital to resource in the Scottish Executive budget. The importance of capital in infrastructure spend should be stressed.

Community planning was discussed. Where many organisations work together, the financial regimes that govern them are often different and

there are mismatches in respect of time lines for different organisations. It can be difficult to progress community planning and match things up if some people have three-year budgeting but others have only annual funding. There could also be problems where Scottish Executive funding becomes available at short notice, perhaps through end-year flexibility. Money can be made available that has many strings attached and must be spent over a fairly short time scale. It is difficult for councils and other organisations to derive maximum benefit from such funding. There was a desire for the Executive to take that point into account.

There was a feeling that there could be more local devolution of decision making on the prioritisation of areas for funding. Sometimes, the Executive dictates too much in that respect and there is not enough flexibility for funding to be used on local priorities.

More generally, there is still a feeling that the Scottish Executive budget is not sufficiently joined up or sufficiently holistic across departments. There was a plea for the Executive to address that matter in the future.

I do not know whether John Swinburne thinks that I have missed anything.

**John Swinburne (Central Scotland) (SSCUP):** Elaine Murray covered every point that I can think of. The whole area is strangled as a result of the fact that the road structure at various interchanges has not been properly considered. It is all right to say that people could come to the area and open up businesses, but if people cannot get in and out of the area, businesses will go elsewhere. That is such an important problem in the area that it must be addressed sooner rather than later. The other point that was stressed was apprenticeships. Not everybody wants to go to university and the issue of apprenticeships should be examined carefully. I think that all the salient points have been covered.

**Dr Murray:** One point that slipped my mind was spatial prioritisation. Lanarkshire is part of the Glasgow conurbation; it does not stand alone. The Executive needs to have a policy for the development of the west of Scotland. It is not sufficient to develop Edinburgh so that it is successful economically and booming. Work must be done on how to develop the economies of other urban areas in Scotland and their associated rural areas.

**John Swinburne:** The only other point is that business crime, which is a matter that I had not thought about, was highlighted. Premises are broken into at night, but there are not the police resources to deal with that that there were years ago. It is not only yobs out on the street who are the problem; business crime at night must also be attended to.

**The Convener:** Do any participants in workshop 1 feel that any points have been missed out or should be highlighted? If all participants are content that their views have been appropriately summarised, we will deal with each of the other two sessions and then have a general discussion. I was volunteered to be the feedback person for workshop 2. Sorry, let me get that right—I will give the feedback on workshop 3. Jim Mather will give the feedback on workshop 2 and I will go last.

**Jim Mather (Highlands and Islands) (SNP):** It is fair to say that our session came alive and developed focus when Wendy Alexander steamed in and laid down some very useful markers that were thematic of several previous Finance Committee discussions—in essence asking how much we are spending, how much of the spending is for now and how much of it is for the future, and how our spending compares with that of competitor nations and regions. Clear markers were put down that there is a need for 10-year comparative consistent data, there needs to be a clearer, more understandable split between capital and revenue and we need to understand more clearly what is happening in the five big areas of higher education, further education, enterprise, transport and tourism. The data should be enough to give us a clear comparison of one of those areas against another and against what has happened in the past, and they should enable us to monitor that against what has happened elsewhere.

A large part of our debate today was about how the business community and the trade unions could help the committee in supporting the clamour for those data. We take the Executive at its word and accept that it is genuinely keen on further scrutiny. The view was that as the data are produced and accumulated we will have a much better basis for measurement of performance, productivity and overall effectiveness. Out of that came a clear understanding that we are talking about comparing spend and performance on outcome, input and output targets.

That was all pretty good stuff. We got feedback about a need for more transparency about what we are investing in the short term and the long term. There was also a clamour for analysis of how much of the £23 billion is being spent on stimulating growth. It was asked whether that spending could be identified through individual departments so that more clarity could be provided. We are trying to get to the position where we understand our finances better—not only the experience of recent years but what would happen if there were a sustained period of zero or negative growth.

It was suggested specifically that there may be marginally too many schemes, which are growing

like Topsy, and that there is a need for more macro, mainstream initiatives that do not perpetuate an avalanche of professional implementers. However, that was balanced by comments that wee, strategically placed schemes can make an important difference.

The points about the capital-revenue split illuminated the situation rather well and encouraged us to consider the issue further. A marker was put down that it is important to avoid an excessive skew towards infrastructure in capital spend at the expense of investing in and developing people. One message that came through repeatedly was that effectiveness is a key driver and that the spending part of budget management is much less important than effectiveness.

There was a hidden clamour for the encouragement of more joint-venture approaches, such as that taken by the Scottish Higher Education Funding Council and Scottish Enterprise. We should look to see how we can bring together health, education and enterprise organisations and genuinely do something to produce healthier, better-motivated, better-educated and more confident youngsters for the Scottish economy.

Other messages were that the level of spending is getting pretty high relative to the overall economy and that the focus on economic growth is not really substantiated in the spending plans. That is another reason why we should drill down into individual departments to find out what they are doing. Concerns were raised that echoed the point that Donald MacRae made to the committee a couple of weeks ago about the public sector's overall share of gross domestic product becoming a bit large.

The sheer intensity and quality of the input were manifest. To maintain the flow of that virtuous circle, we ask the clerks to pass on to the attendees a copy of Donald MacRae's paper—which, we feel, was economically robust, strategic and heavily rooted in the real world—and a copy of Ross Burnside's paper on economic development, which we think would inform the debate. Those papers should be sent to the Scottish Council for Development and Industry, Scottish Enterprise, the Scottish Trades Union Congress and the Confederation of British Industry, with our thanks for their contributions today. It would make sense to augment that by giving those papers to other business organisations.

**The Convener:** Do Wendy Alexander or Ted Brocklebank have any supplementary points?

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** Jim Mather has done an admirable job of

summing up most of what was said. I add that one minor criticism, which was mentioned consistently by all those who participated, was that, although the draft budget is full of figures, statistics and other facts, it does not, as somebody said eloquently, tell the story. The draft budget does not illuminate what is being attempted, where we are going economically and where the Executive plans to go. The draft budget contains lots of targets and other information, but not a sense that the budget is joined up or an explanation of what will ultimately come out of it.

**Ms Wendy Alexander (Paisley North) (Lab):** I have nothing to add to that.

**The Convener:** As the other participants in the session have nothing to add, I assume that they are happy with the account that has been given.

Workshop 3 involved Kate Maclean and me and various representatives from health and voluntary sector organisations in Lanarkshire. A number of strands came through in the discussion, the background to which was the high and growing health spend, which is at a level unprecedented in the past 20 or 30 years. A number of issues were raised that gave a sense of the problems that health organisations have on the ground. The first was about the amount of the additional health spend that is going into salaries rather than increased services. The substantial change in doctors' contracts, the potential change in general practitioners' contracts and salary settlements for other health service staff have absorbed or will absorb a significant proportion of the additional resource. That means that issues relating to work practices and recruitment and to determining who does what need to be addressed when thought is being given as to how to spend the additional money.

12:00

We asked whether we were perhaps spending too much on doctors' salaries. The answer was that perhaps we are, but there was also a real issue around whether performance is improving or whether productivity is in fact being reduced. That raised important questions about value for money. The doctors would argue that we are getting an improved quality of outcome for the amount of money being spent, but if that is accompanied by reduced productivity, then some interesting economic arguments arise.

The recruitment of health professionals, as well as non-professionals, was highlighted. In particular, there are issues with recruitment of nurses, radiographers and other key groups of professional staff. There are also significant concerns around people providing various kinds of care and ancillary services in hospitals and

elsewhere. We had an interesting debate about community planning and the possible opportunities for links between the health service, local authorities, the Employment Service and other economic agencies, and about how to get people into the relevant areas of employment. Do bridges need to be built, perhaps through further education, counselling or other mechanisms that might draw people in and make them more employable in those areas?

Some interesting points arose about the extent to which things are joined up. One proposal was for us to consider an endowment for people to pursue a career in health, similar to the way in which the Government makes an endowment for fees to go through university. Should we consider supporting people wishing to move into health-related employment? It was suggested that there is a pool of labour in Lanarkshire that the health service cannot currently access. That is a big structural problem for the health service. There need to be better links between health agencies, economic agencies and education agencies in order to deal with that problem. The voluntary sector could also be involved, as the social economy will have a role in moving things forward.

A further fundamental issue was the recent emphasis on waiting lists and waiting times as the measures of progress in the health service. It was argued that those are not necessarily the most economic or effective ways of directing health spending, although they deliver benefits. The biggest potential benefit is that of raising the overall level of health. We perhaps need to give more consideration to community-based health interventions in such areas as smoking and drugs, which can deliver more in the way of health benefits, instead of always focusing on measuring the health service's performance on waiting lists and times.

An interesting graph was produced for us, which suggested that, even if we considered the debate in the narrow context of hospitals, the discussion seemed to be about a wee bit of that graph on the right-hand side only, rather than on the efficiency of the main systems or on most people's interaction with the health service. Those things are not being measured if all we are measuring is waiting lists and times. There is therefore an issue around whether we are measuring the right things and adopting the right measures and targets in assessing the performance of the health service.

It was suggested that the real investment that is required is at the community level. There was an argument that we should be looking into multi-agency facilities, with health facilities linked to other facilities, for example education and public amenity libraries. As Kate Maclean pointed out in relation to Dundee, there is a sense that multi-

agency facilities that operated in the past have now been shut down. It was argued that, 20 years on, we need to return to such an approach, provide those facilities in a more co-ordinated and integrated way and be much more proactive about community planning. However, to do so, we need to think about budgets differently. For example, agencies very often receive funding too late, with too many constrictions or in a manner that is geared towards departmental targets when what they require are a local needs assessment to bring together different kinds of needs and appropriate planning so that they can use the money more effectively at a local level than is perhaps dictated by the national framework. Maybe we should consider whether, as far as health management is concerned, the right balance has been struck between central control and tight national priorities, and local needs and priorities in places such as Lanarkshire.

People also raised the point that, although it is all very well to have capital spend, it has revenue costs associated with it and that focusing on certain kinds of capital spend can generate future costs that will crowd out other areas of investment. As a result, we might have to be cleverer in our consideration of the balance between capital and revenue money.

Various issues were raised about the involvement of the voluntary sector and in particular community health organisations, which feel that they are at the tail-end of everyone's funding priorities and do not have enough future commitment to the process. Over the past wee while, there has been a move towards the idea of three-year funding for voluntary organisations. It has also been suggested that we should not force voluntary and smaller organisations into annuality, because that means that they spend a lot of time bidding for the next year's resources. Although such a commitment has apparently been argued for and announced at a national level on a number of occasions, voluntary organisations that work locally feel that it is not happening. As far as continuity and other issues are concerned, they feel squeezed all the time, which has an impact on staff retention. Very often, good staff have to move from project to project because of the time scale associated with the replenishment of funding.

It was suggested that we need to take a more holistic focus on health gain and on how we can achieve more positive health outcomes from the money that we put into the health service. Perhaps some mechanisms for targeting resources and outcomes are not focusing with sufficient clarity on broader issues of health gain; instead, they focus on issues such as waiting lists and waiting times that might all too often be politically driven and that, as measures, offer insufficient value for money. Broader health gain issues have an

equivalent health—and perhaps political—importance, but have not been placed high enough up the pecking order.

I suppose that people feel that the route forward lies in more budget freedoms and greater flexibility in setting budget allocations to ensure that we achieve the best outcomes, and that too much centralised direction is the obstacle to the efficient use of resources. I hope that I have summarised the points effectively, but perhaps Kate Maclean will tell me whether I have missed out anything.

**Kate Maclean (Dundee West) (Lab):** The main thread that ran through the discussion was the tension or conflict between local needs assessment and national targets and the feeling that there should be a common approach in that respect. The public hear about big increases in the budget, but so much of the money is committed or ring fenced that boards have very little flexibility on what they need to deliver locally.

We also discussed patient focus and public involvement, for which the budget contains no additional resources. Given the other legislation that we are dealing with, there was quite a big concern that, although we want more community involvement and public participation, sufficient resources will not necessarily be available to enable that to happen.

As the convener said, waiting lists and waiting times—which are really a political target—are one of the big targets that are budgeted for. There was a general feeling that they are not necessarily the right benchmark to use to judge a good health service. Boards have to put large amounts of money into reducing waiting times slightly, but there is hardly any significant health gain in the local population from that. Politicians have to deal with that issue at Scottish Parliament level. We might want to bite the bullet and decide that waiting lists and waiting times should not be the way in which we measure the provision of health services in Scotland.

**The Convener:** Thank you very much. I say to the participants in the workshops, who are present, that if you think that we have missed anything out or would like to make any additional comments on the summaries that we have given, please say so.

I am happy to allow time for people to comment further on the issues that have been raised.

**John Swinburne:** I listened intently to what was said about workshop 3 on health and performance targets. I am amazed that the Executive does not seem to be able to set up an effective alternative to agency nursing. The problem with agency nursing is that if a hospital hires an agency nurse during a holiday period, for example, that can cost up to £58 per hour, of which the nurse gets £14

and the agency gets £44. We are pouring millions of pounds down an agency drain when that money should be being concentrated on patient care. It would be a simple and effective measure for the national health service to have its own agency nurses. Such a system exists for schoolteachers—there are pool teachers who fill in vacancies. It is beyond my comprehension why the same approach is not used in the NHS.

**The Convener:** I invite participants in the workshops to comment. Perhaps they could introduce themselves before commenting.

**Iain Hair (South Coatbridge Social Inclusion Partnership):** I am the chair of South Coatbridge social inclusion partnership and I also represent NHS Lanarkshire. We have recognised the issue that John Swinburne mentioned. Initially, the difficulties that we had were with labour supply—we could not attract and retain staff in the health service. The development of that situation has a long history.

We have established a nurse bank for the whole of Lanarkshire and, within the next month, a senior member of staff who will have overall responsibility for that will be appointed. That organisation will work throughout the health service in Lanarkshire—in community and acute hospitals—to provide a nurse bank service and to recruit staff.

It is interesting that one of our approaches to increasing recruitment is a partnership exercise that involves working with Scottish Enterprise Lanarkshire and some of the local colleges to recruit folk who have been displaced from the Boots factory, for example. We have put together a course that brings them into nursing and provides them with the right skills and support to make the transition from an industrial work force into the health service work force. We are considering how to increase the labour supply as well as seeking structural ways of reducing our dependence on nursing agencies.

**John Swinburne:** How far away is the agency that is being set up in your area from being viable to the extent that it excludes the private sector?

**Iain Hair:** I do not think that the agency will exclude the private sector absolutely, because there are labour supply shortages. We may find, for instance, that an intensive treatment unit nurse will be required when we do not have any cover, so occasionally we may still have to look elsewhere. However, we will generate savings over and above the existing budget, so it will be cost effective.

**Professor Arthur Midwinter (Adviser):** Two issues that we have struggled with in looking at the picture nationally were raised in Kate Maclean's report. The first is health inequalities, which was not mentioned in the convener's report

back. We have great difficulty at national level in squaring the rhetoric of the strategy with the information that we have. The Minister for Health and Community Care made it clear that it is difficult to monitor moneys that go into tackling inequality. Do you have any monitoring arrangements at the more local level to help us with that? Basically, we have a series of outcome indicators that the Executive would like to achieve, and a statement that it wishes to target additional resources to reducing inequality, but finding where the resources are is difficult because—as you will see from the budget—at a global level resources go to the boards as a lump sum.

12:15

Secondly, Des McNulty raised the issue of salaries. Did that come from your end? Do you have data that could be helpful to us? We have difficulties monitoring real trends in growth because of the accounting systems, but it would be useful to know—if you have rough proportions—how much has gone to increase the salaries of staff and how much has gone to increase the numbers of staff. That information would be helpful, although I recognise that a number of politicians argued that the increases in salaries were necessary to tackle capacity problems.

**Iain Hair:** Information on that breakdown is available, because we have to provide estimates for the Health Department. I do not have the figures with me—I am not an accountant, so I do not have them at my fingertips—but the productivity conundrum for the health service is that because of the working time directive in particular we have had to recruit additional staff. However, in a sense, there has been no productivity gain because we have had to limit people's hours and the number of procedures that they undertake.

At the same time, there have been clinical governance issues, where the medical profession has argued that it is unsafe for its members to do X number of operations. It would be interesting in the longer term to see whether some of the productivity losses are compensated for by qualitative improvements. However, it will take a reasonable study to resolve that. It is difficult.

In terms of the inputs to health gain and health improvement, it is difficult because, frankly, an awful lot of the improvements come from other areas, such as educational input, providing fruit and fresh water through schools and changing people's behaviour as consumers—how they respond to issues around smoking and alcohol. One of the clear messages is that, through community planning, it has been a lot easier for all the agencies to come together and plan in a

rational way, to see where there are inconsistencies in policies and approaches, and to try to work together to resolve some of those issues.

My one plea is for alcohol and cigarettes to be concentrated upon, because those are the two major drivers. I am in the lucky position of chairing both the west of Scotland cardiac surgery consortium and the social inclusion partnership that focuses on health improvement. We must recognise that roughly 85 per cent of the people who are on the waiting list for a bypass are smokers. We need to have less investment in bypass operations and more investment in measures to stop people smoking. However, that does not require just a smoking cessation strategy; it requires a tobacco strategy.

**Dr Murray:** I want to raise a health-related issue. One of the points that was raised in our workshop—I do not know whether it is a reflection of the whole of Scotland or a particular problem in Lanarkshire—related to the number of people, particularly older men, who are not economically active because of health problems. Is that about cure or prevention, or is it about making employment more accessible to people who have health difficulties?

**Iain Hair:** It is a complicated issue. Such situations arise in places such as North Lanarkshire because of the decline of the industrial base. You will remember that when that was happening, people were actively encouraged to define themselves as being ill because they got additional benefit. There was a benefits trap and there was also a psychological element: it was easier for an unemployed person to cope if they could say that they were not working because they were not fit to work. The situation has almost developed into an illness culture and although the economy is now more vibrant and jobs and roles could be available, people are locked into that psychology. It has become their career and several complicated interventions are required to break that. Colleagues in other sectors have done a lot of work to try to get people back into the work force and to get around some of the poverty traps that are caused by the fact that people have a benefit cushion.

**Ms Alexander:** From the other workshops we have heard a lot about there being a sense that although the Scottish Parliament has brought accountability, it has also reinforced the top-down mentality around how issues are solved on the ground. Are there any discretionary powers available to English regional health authorities that are not available in Scotland and which would make it easier for you to manage on a daily basis? Have other parts of the United Kingdom gone for a more decentralised approach that we in Scotland

should be thinking about? Is the balance between central control and local discretion right?

**Iain Hair:** I do not want to give an off-the-cuff answer to that question; I will have to go away and think about it.

The main issue for us in using our discretion in spending resources is that the intervention aspects of health care have been promoted because of the focus on waiting lists and waiting times. That has increased the proportion of resources spent on intervention. Even if we mark time on the amount we are putting into prevention, we end up spending less than we did a couple of years ago because we have ploughed money into intervention.

The medical labour supply input is limited, but the cost per unit of output has increased dramatically because we have had to pay double-time and triple-time rates to clinicians to get them to produce. We need to be flexible and share our resources with other sectors. One of the advantages of community planning is that we understand that we might have to share our resources and forgo the immediate benefit of a resource in order to improve the overall situation.

Some people argue that it might take between 20 and 30 years to make those changes, but that is nonsense. The social inclusion partnership has shown that we can change people's behaviour, particularly that of younger people. We have to be able to follow through those changes in a more sophisticated way—I gave some illustrations during the discussion—so that we create local markets to support the development of, for example, a food cycle, where we got lots of children to start enjoying eating fresh fruit. We have to develop local economies by supporting local corner shops, food co-operatives and the local voluntary sector in order to encourage the development of that market and create a holistic solution.

**Ms Alexander:** I am sure all the politicians hear what you say about the potential distortion of the view of the overall spend caused by the focus on waiting lists. Arguably, that distorted view can be seen north and south of the border.

One of the perceived differences is the extent to which the primary care sector is empowered vis-à-vis the secondary or tertiary care sectors, with more purchasing power lying with the primary care sector south of the border. Is the relative strength of the primary care sector a live issue in this geographical area? Is empowering the primary care sector a way of tackling some of the issues that you touched on, such as how to create different local economies and pathways and different prevention methods? Alternatively, will those things be achieved by direct spending by the

health boards on health promotion and prevention, or by intervention from the primary care sector?

**Iain Hair:** That intervention would be a partial solution. In my view—this is not the board's view—it would be wrong to take a primary care-led approach, especially using a medical model. That misses the point that most ill health is created by poverty and deprivation. We should seek good, strong, local partnerships that involve all partners. Community planning partnerships could be empowered to devise proper solutions to the problems, as we will not solve them simply by continuing to pour money into primary health care. That intervention at primary care level does not address the fundamental problems of poverty and deprivation with which we need to deal.

**The Convener:** I want to tie together the results of the three workshops. Our workshop highlighted the potential of community partnerships to develop from talking to pooling resources, sharing facilities or integrating the way in which they develop strategies to suit the needs of local areas. Elaine Murray appeared to be arguing for something similar at local level. Is that a fair summary?

**Dr Murray:** Yes. A number of barriers prevent partners from working together as well as they would like and as well as they have the potential to work. One such barrier is the way in which funding comes to the various partners. The timelines for funding are not properly aligned to allow people to work together as effectively as they might wish. Sometimes too many strings are attached and there is too much of a top-down approach. The time scale within which money is available is too short. We need to feed back those issues to the Executive, as they are preventing one solution from being as effective as it could be.

**The Convener:** In Lanarkshire or, perhaps, in Glasgow.

**Dr Murray:** It is probably a more general problem.

**The Convener:** If partners agree on a strategy for their area, they experience difficulties in developing it because they must line up every duck in the Scottish Executive to acquire the resources that they need. Sometimes departments pull in different directions or have different approaches. Perhaps there needs to be a better fit between local co-ordination of investment needs and national priorities. That supports what Jim Mather said about the conclusions of the workshop that discussed broader issues.

**Jim Mather:** That is true. I was taken by what Iain Hair had to say. For me, his recognition that poverty and deprivation cause the health problem squared the circle to a large extent. No matter how well we do in primary care, that addresses only a symptom, rather than the core problem. Even

when we address the symptom, too much time and money is spent on intervention and not enough on prevention. I am keen to see how we can break out of that cycle and effect a transformation, especially when an emphasis on alcohol, smoking and so on offers such material rewards. Are there any role model countries or regions that have managed to effect such a transformation? Are there any road maps that we could copy to short-circuit the process of establishing a more balanced approach?

**The Convener:** Iain Hair is allowed to say that he does not know.

**Professor Midwinter:** Charge him a fee.

**Iain Hair:** We are doing good work in North Lanarkshire—if I may get in an advert for the community planning and social inclusion partnerships here. Those provide good models, because we are focusing on working with young people to change their behaviours fundamentally. There are issues of self-esteem, and saying to people that they can strive to do things differently and can achieve much more than their peers or the system have told them they can achieve.

There are good examples of that, but there must be more of them. There is no point in ploustering around the edges of a problem such as this. People are discussing the regeneration budgets and the general approach to regeneration. A statistician colleague of mine has said that we need to hit big numbers—perhaps a 20 per cent uplift target—to make a step change. Our community plan has recognised that and will focus on health and well-being, with the other parts of the jigsaw being put together to support that.

12:30

**Mr Brocklebank:** I agree with Jim Mather that that was a valuable contribution. I do not think that it is too fanciful to link the health of individuals in a community to the health of the economy in the area. In our workshop, it was pointed out that, two decades ago, around 26,000 people in this community worked in manufacturing and now only around 1,000 do. A representative said that some of them had moved out of employment and others had retired, but what does “moved out of employment” mean? Are there a massive number of people who are trapped in a situation, who cannot afford to get back into work and have lost their confidence and so on? We should consider that issue.

I can offer Jim Mather a small piece of information that might help him. In a previous existence, I went to see what Finland was doing in relation to health care. Twenty years ago, the Finns were at the bottom of the European heart-disease table but, through healthy-eating

campaigns, anti-smoking campaigns and so on, they have transformed the health of their population. That example is worth considering.

**The Convener:** Perhaps the biggest impact on the health of the Finns can be attributed to their anti-drinking campaigns.

**John Swinburne:** The Executive should bite the bullet in relation to alcohol. Tobacco advertising is not allowed and I think that, if the same rules were applied to alcohol advertising, it would cut the problems that we are talking about by about 30 per cent.

**Iain Hair:** We must take a balanced approach and reduce both the demand for and the supply of alcohol. Often, the demand comes from peer pressure and people's inner selves. Advertising influences people to an extent, but I think that the real solution is to change people's behaviour by giving them hope in their lives and enabling them to develop better objectives for what they want out of their lives.

**Professor Midwinter:** On the two groups considering local and national economic issues, I was struck by the comment about the problems with road infrastructure. Nationally, over the period that we are considering, there has been a significant increase in roads and transport spending of 17.5 per cent, which is way above the average increase in the Scottish budget. However, as table 2 of the paper that I produced for our workshop shows, local authorities' roads budgets have risen by only 7.5 per cent. Different types of roads are covered by different budgets and I wonder whether anyone can tell us whether the problems that were commented on earlier relate to the national budget or the local budget. Last year, the Transport and the Environment Committee said that, at national level, there has been a tendency for councils to spend significantly below the amount allocated for roads in grant-aided expenditure. I do not know whether that applies in this context as well.

**David Porch (North Lanarkshire Council):** It is gratifying that the national transportation budget has gone up by as much as you say it has. However, the local authority share of that spending is worrying. The council has spent its GAE on roads and, although I am not sure where we are at the moment, in the past couple of years, we have hugely increased the amount of roads investment that we are making. We are now keeping pace with the deterioration of the network, but we are not catching up with the backlog of work that requires to be done.

I tried to illustrate the issue this morning. The infrastructure has a finite life—roads and lighting columns do not last for ever, for example—but we can predict how long it is likely to last for, which

gives us some indication of the rate at which we need to spend to keep the infrastructure up to scratch. Three per cent of lighting columns need to be replaced each year to satisfy their 30-year life. The authority has only just managed to get above 2 per cent but, a few years ago, we were replacing them at a rate of about 0.5 per cent, so we were expecting the light columns to last for about 200 years. No matter how hard we wish them to do that, it does not happen.

**The Convener:** In my previous experience in Strathclyde Regional Council, David Montgomery, who was the assistant director of education, talked about the fact that we were expecting every school in Strathclyde to last for an average of 400 years and how unsustainable that was. We have begun to address that issue through public-private partnerships. Are you saying that the same problem exists in a series of other forms of local government investment and that we need perhaps not a PPP solution, but a planned maintenance solution for roads, lighting and perhaps some other forms of infrastructure?

**David Porch:** It would be helpful to have that. Local authorities are trying to do that themselves, but the problem is huge. Roads and transport infrastructure generally look much the same whether they are brand new or 20 years old. On the route between Bellshill and Coatbridge, we recently resurfaced about a quarter of a mile of road, which probably cost more than £1 million, and it looks exactly the same as it did before. That is not exactly a vote winner, but the road was at the end of its life and was disintegrating.

Local government has to make choices about what it must do with its limited resources. Additional spending on roads is a hard choice to make. In the past few years, the council has been quite brave and has greatly expanded the amount of money that has gone into the roads budget, but maintenance is now only keeping pace with the rate at which the infrastructure is deteriorating, and we have a long backlog on which to catch up.

**The Convener:** My constituents in East Dunbartonshire point to North Lanarkshire roads as an example of what they aspire to, so somebody is noticing what you are doing.

**Dr Murray:** Perhaps we should pursue the matter a bit with the Executive. Arthur Midwinter is pointing out that the minister has said that 70 per cent of the 17.5 per cent increase in the transport budget will be directed towards public transport. Many of us would consider that to be desirable from an environmental point of view, but there are environmental issues with bottlenecks, for example. Also, transportation problems have an influence on the economy and its success in Lanarkshire and many other areas as well.

A lot of people have mentioned bottlenecks. Are they due to the poor structure of the existing roads? Do you argue that you need more roads in Lanarkshire or do you need only to bring the roads up to a better standard?

**David Porch:** We are not arguing for more roads. There is a requirement for more strategic road capacity, particularly on the A8 and the A80, both of which have major problems. Work is being done to try to resolve those problems but the solutions are a long way away—it will be 2010 before those schemes are completed. The problems at the moment are primarily ones of junction capacity, which are compounded by the lack of capacity in the network itself, so even when we fix the junctions, there is too much traffic on the roads for the system to work properly.

We are certainly not opposed to more investment in public transport—that is a helpful thing in an area in which we lag behind most of the rest of Europe. As a matter of course, people use private means of transport rather than public transport because the systems are so poor. We are outwith the main public transport networks within the metropolitan area, which creates yet another problem for economic development in Lanarkshire. Public transport between where people live and where they work is not particularly good. More investment in local solutions for public transport would be helpful. However, often they are predicated on the ability to get from one place to another in the first place. If there is a bottleneck in the roads system, public transport is just as frustrated by it as private cars are.

**The Convener:** I think that in workshop 1 you referred to water infrastructure investment. Would you like to comment on that, since we are now in a formal meeting?

**David Porch:** Like the rest of the country, we have a problem with new investment in water infrastructure and with the maintenance of the existing system, which is generally very old. New investment funding has changed. I am not an expert, but I know from my contact with the water company, and with water authorities in the past, that it has become more difficult to fund large-scale investment. For instance, we have an industrial estate that requires 2.5km of off-site works to connect it to the trunk sewer system. In the past, Strathclyde Regional Council, as the water authority, would have paid for that up front and recovered the cost from water users through water rates. Some contribution would have been required from developers, but the cost would have been offset by the hope value of water rate income. However, the balance has shifted, so that developers are having to fund much more of the up-front costs, which is creating a difficulty. As I said, I am no expert, but looking at it from the point

of view of trying to get sites developed, I can see that that is another factor that is making it difficult to release new land and to get maximum capacity out of existing sites.

**The Convener:** I have two supplementaries on that. Going back to the days of Strathclyde Regional Council—you are fortunate that there are two ex-members of Strathclyde Regional Council at the table—when it was planning new roads investment, it thought about infrastructure investment, such as water investment, at the same time. Also, it was in a position to apply for European funding, for example, to underpin that new investment.

First, do you detect a lack of joined-upness, now that those different responsibilities have been spread in different directions? Are we inadvertently disbaring ourselves from accessing other sources of funding, such as European resources, as a result? Secondly, can you quantify the percentage of new investment that is not being made because the water infrastructure is not there, or is that simply not possible to do?

**David Porch:** To answer the second question first, I do not think that investment is not being made; it is just proving to be more difficult and taking longer to organise than before. I know from experience of the previous local government regime, when roads and water and sewerage were under the same authority, that there was much closer co-operation between the departments, and things were probably easier to deal with.

From a district council perspective, or a developer's perspective, it was not necessarily any easier to get co-operation from the agencies, but they now operate on completely different bases, and it often appears that they do not talk to one another at all. It is quite difficult to bring together the means of achieving a development when people have entirely different cultures, targets and financial regimes.

**The Convener:** That is a useful point to add to our water discussion.

**Professor Midwinter:** I have one observation that relates to the point that Jim Mather raised about his workshop. I do not know whether colleagues have had a chance to look at the eight reports that they have to read for tomorrow, but I managed to squeeze them in between cheering the three Celtic nations to defeat in the world cup over the weekend. In my depression, I found a statement from the Deputy First Minister—I do not know whether members have seen it—that says that the Executive cannot isolate spending that stimulates economic growth from spending that directly targets economic development, because of the current accounting system. That is just an observation. We will have a chance to quiz the minister about that.

12:45

**Jim Mather:** I have one supplementary on the water issue. I was interested in David Porch's comment that investment is now more difficult and takes longer—we all understand that point and sympathise—but I am concerned that there might be another hidden inhibitor. Might the type and extent of infrastructure that developers put in be, in essence, a long-term inhibitor for further development of those areas? Are you seeing any sign of that?

**David Porch:** I have not seen any signs of that, but that is a real danger. It is a possibility that people will invest only in what they can afford, rather than in what the development needs. However, I have not seen that happening on the ground.

**The Convener:** I thank committee members and the participants who came along this morning for a successful session. It has given us food for thought which, where appropriate, will feed back into the questioning of the minister this afternoon. His representatives are at the back of the room. They will have to guess which awkward questions we might ask their master this afternoon. More important, the discussions will help us to frame some of the issues that we want to present in the report that we must produce at the end of this second stage of the budget process. Thank you for coming along and giving us the benefit of your advice and information. We will try to process that in our work.

I understand that the deputy provost of North Lanarkshire has joined us. We will gather informally outside and will be delighted to meet him in a couple of minutes.

12:47

*Meeting suspended.*

14:05

*On resuming—*

**The Convener:** Good afternoon. I reconvene this 12<sup>th</sup> meeting of the Finance Committee. Agenda item 2 is further formal consideration of the budget process. I welcome the Deputy Minister for Finance and Public Services, Tavish Scott, who is accompanied by Richard Dennis and Richard Wilkins from the Executive's Finance and Central Services Department. Members have a copy of a letter from the deputy minister on the budget process. We might deal with one or two issues that arise from that letter at the latter end of the questioning. Fergus Ewing and Kate Maclean have sent their apologies, but we expect Jeremy Purvis to come along in due course. I invite the minister to make an opening statement.

**The Deputy Minister for Finance and Public Services (Tavish Scott):**

It is a pleasure to be in Motherwell on a nice sunny day—it was not nice and sunny this morning when I left home. As someone who used to sit on committees, I share the desire to hold committee meetings throughout Scotland. I notice that the committee met in Skye last year—I read the *Official Report* of that meeting on the plane this morning. We should follow that principle when we have the opportunity to do so, not least because it allows us to take into account the views of people from throughout Scotland. It is a useful exercise to be in Motherwell today and I understand from Richard Dennis that this morning's workshops were enlightening on both local and national issues, some of which I am sure will arise later.

I have a few brief remarks to make on the changes that we have made to the draft budget this year in the light of comments and suggestions by parliamentary committees over the piece. I will mention a few issues on which we need to make further progress—I am sure that the committee will want to push us on those issues. I will also discuss, in relation to the budget process, issues that I mentioned in my letter of last week to the committee. I am happy to take questions on those issues or on other specific issues about the draft budget.

The committee has asked various detailed questions about non-domestic rates income and has sent a request to the Executive on the matter. A reply will be sent to the committee shortly—the subject is under detailed consideration.

We hope that this year's draft budget document marks further improvement in the level of financial information that we provide for Parliament and the public. As the previous Finance Committee requested, this year's document includes sections on new resources, which make it easier to see the funds that are being added to portfolio baselines. We believe strongly that that is an improvement in the overall process. In addition, we have added new sections on equalities expenditure for each portfolio, which is another matter on which parliamentary committees have been pressing the Executive.

We have tried to make our presentation of the information more consistent throughout each portfolio chapter. We recognise, however, that more can be done on that and I am aware of the concerns that have been expressed on a number of issues, so I will try to deal with those quickly. They include the difficulty in comparing Scottish Executive budgets over a period of years, which I know is a matter of interest to a number of members. That difficulty is, in effect, a result of accounting changes and transfers between departments. There is also the problem of how to

quantify expenditure in cross-cutting areas—I simply make the point that it is not so easy to do that.

None of the issues is straightforward. It is genuinely difficult to take account of all transfers and accounting changes when we are presenting budget information across several years. There are real definitional problems that make it hard to account for all expenditure in cross-cutting areas. There are a number of ready examples of that, which we could deal with later if that would be of interest.

We are certainly prepared to work with the committee in order to provide information that meets the needs of Parliament and the public. I know that our officials have had discussions with the committee's officials on that, and I am sure that future budget documents will reflect the outcome of those discussions. I understand that the committee's adviser has spoken with our senior officials on the matter; I am interested to hear how that is coming along.

We are also working on the budget process; I hope that there will be further improvements in it over the next year. We have the benefit of looking at next year's process, having experienced this year's. Because of this year's election, there was no stage 1 in the process, on which I commented in my letter to the committee of last week. I would be interested to know whether the committee has any further thoughts on that, and whether committees in general feel that not having stage 1 impeded their attempts at scrutiny. That strikes me as being the key principle in the matter.

It is worth considering changing stage 1 of the process so that it focuses on past performance, rather than on future spending plans, not least because the detailed spending plans that we produce in late March next year will not be very different from those that were presented to the committee in this year's draft budget. Furthermore, the figures will be substantially superseded in the 2004 spending review. I recall earlier discussions with committee colleagues on that general point and on the need to avoid duplication. I suspect that the committee might wish to consider that subject in some detail.

To focus on past performance would help to turn stage 1 into a discussion of strategic priorities by allowing committees to discuss whether targets are correct and where future resources need to be focused to ensure delivery. That appears to be a sensible suggestion—I would be interested to hear the committee's thoughts on it.

Next year's annual expenditure report might include a report against the targets that were published in the 2004-05 draft budget, together with information on spending plans for 2005-06.

However, as I said in my letter of last week, those are early thoughts and I would be interested to hear the committee's consideration of them. I look forward to hearing the committee's suggestions, both on general issues surrounding the budget process and documents and on the draft budget itself. I will be happy to clarify any points that I have not dealt with.

**The Convener:** Thank you. On the committee's response to the issues that you raised in your letter of last week, I hope that we can provide a more formal response in our report at stage 2 of the process. However, it might be useful in the course of today's discussion and questioning for us to discuss some of the themes that were contained in the letter. There are a number of issues that members will want to raise, and which we anticipated raising in advance of your comments. I invite Wendy Alexander to start us off.

**Ms Alexander:** The minister's letter is fascinating, although committee members saw it only this afternoon and have therefore not really had a chance to reflect on it. I am taken by the wisdom of trying to build into the process at some stage an attempt to review past performance, using committee meetings such as this or other means. That seems to be an encouraging step forward on which we will come back to you.

Before we do so, I will ask you a much more straightforward question about the Executive's desire to spend all the new income that is available to it. That might sound like an unusual point to raise, but you will appreciate that it comes from my having listened to various representations that have been made to the committee. People are asking why the Executive is spending all the money that is made available by the Treasury. You might wish to comment, first, on why the Executive feels that it wants to do that.

A more pertinent question is why, given the fact that the Treasury was making significant sums of money available through the Barnett formula, the Executive also felt it necessary to spend all of the windfall from non-domestic rates income. I note that over the lifetime of the Parliament something of the order of £0.5 billion has resulted from the buoyancy in non-domestic rates, which is quite a significant sum in the context of the overall non-domestic rates income.

These are my two questions. The first is simply to ask you to put on record the reasons why we decided to spend all the Barnett formula money and my second—perhaps the more meaningful question—focuses on why, given the significant increase through the Barnett formula, it was necessary to spend a windfall that was not expected even 12 months ago and which might come to £0.5 billion over the lifetime of the Parliament.

14:15

**Tavish Scott:** I suppose that the short answer is that there has been an election and we have to fund a partnership agreement. The commitments in the agreement are a matter of record and I observe gently that not too many spending ministers have come back and said, "Oh, we'd rather not spend any money". They all seem to have very strong arguments about why they should receive additional resources. Andy Kerr and I are engaged in a process—with which Wendy Alexander will be entirely familiar—that involves ministers in the coming spending round considering where they wish to sharpen up or reprioritise their expenditure.

Because of a number of issues that will be resolved either this year or in years to come, the finance ministers have also created some contingencies to deal with pressures that already exist or which will come up not only in the current financial year, but in the coming financial years in Parliament's four-year session. We intend strongly to be prudent—I hate to use that word, but I cannot think of a better one—in planning for contingencies. It is not rocket science to work out that a particular bridge is of significant interest in that respect. Obviously, at this point last year, we were not in our current position; at this point in the Parliament's four-year cycle, we have had an election, a new partnership agreement and a requirement on spending ministers to fund that agreement.

**The Convener:** What is the financial logic, if any, behind the Skye bridge issue? You said that the commitment is in the partnership agreement. I suppose that the Finance Committee is interested in why anyone would want to do anything about the Skye bridge.

**Tavish Scott:** I am but a humble finance minister, not the Minister for Transport.

**The Convener:** I am just interested in the logic behind the matter.

**Tavish Scott:** As you know, Andy Kerr and I have to deal with the requirements of spending departments. As the Minister for Transport is progressing that issue with other colleagues, the Finance Department must make certain provision if it is required to do so.

**The Convener:** How would you progress a matter like that? After all, an appraisal under the Scottish transport appraisal guidance is usually undertaken to examine the various economic benefits of most new transport projects. Given that the Skye bridge has already been built, one would need to modify any assessment of the economic logic behind that expenditure as opposed to other transport-based expenditure. How would you make such an assessment?

**Tavish Scott:** Let us be honest: we are engaged in a political process. Every form of expenditure is rigorously examined and any spending minister has to produce spending proposals and priorities that are financially acceptable and meet the Cabinet's political priorities. The Skye bridge project falls into such a category. I simply used the example of the Skye bridge to show that we have to make an overall balance available to deal with requirements that arise from partnership agreement commitments. Members would hardly expect me not to make contingencies in circumstances in which there is a political priority to do something.

**The Convener:** I understand that the detail of the partnership agreement is to look at bridge issues generally—it is not to consider a specific bridge proposal. In the context of examining bridge issues in general, if specific proposals were to come forward, what mechanism would be used for analysing the advantages of progressing one rather than another? I am not necessarily saying that it should not be done, although I might do so in a different context. The question that I am trying to ask is: what mechanisms exist for making that assessment?

**Tavish Scott:** There are the same mechanisms as exist for any transport project or any other project that is subject to value-for-money tests. The Scottish Executive would follow the same procedure in any case. That is what would happen if a transport minister brought forward such proposals.

**The Convener:** However, there are concerns—I speak as a former member of the Transport and the Environment Committee, of which you were also a member at one point—that big projects have been suggested and apparently agreed to without any explicit or transparent explanation of why they, as opposed to other projects, have been taken forward. I remember asking such questions about the Aberdeen ring road—we asked repeatedly for a Scottish transport appraisal guidance assessment, but we were never given one.

**Tavish Scott:** It is not for me to get into what happened in the previous Administration. However, I share your view—I can think of a number of big transport expenditures that are now, as it were, committed. I was not a minister at that time, but I assume that the process of analysis of expenditure of those big sums was rigorous. I am sure that Richard Wilkins could comment on that. The general point is that we will go through as rigorous a process as we seek to go through on every occasion.

**Richard Wilkins (Scottish Executive Finance and Central Services Department):** Part of the reason for the expenditure figures' being in the

contingency fund rather than in the budget is that not only are we still appraising options, but negotiations are going on to work out how much it would cost to end the tolling regime. We would start to skew the negotiations if we were to publish figures that state how much money we are provisionally allocating to that. That is one reason why that money is in the contingency fund rather than in the budget. Until we know how much it will cost to end the tolls, it is more difficult to put forward the value-for-money case for the different options that you mentioned. To a certain extent, the negotiations must go on before, rather than after, we present options on value for money. That factor must also be taken into account.

We must undertake the negotiations. Officials are trying to get the best possible value for money for the Executive. Ministers will then consider options at that stage. There is quite a rigorous process in terms of guaranteeing value for money. That is linked in with the negotiations and it is one of the reasons why the money is in the contingency fund rather than explicitly in the budget document.

**The Convener:** In the context of the very large sums that are in the contingency fund—those are not necessarily allocated against named projects but they may end up being used for such projects—is there a process by which the Finance Committee or the Local Government and Transport Committee could consider the value-for-money issues that are raised when a particular decision is taken?

**Tavish Scott:** I imagine that it is open to this committee or to the Local Government and Transport Committee to examine any Scottish Executive expenditure in that sense and to call ministers and officials to account as to why decisions were taken. That option always exists.

**The Convener:** I am not sure whether that works, which is the point that I am making. The Aberdeen ring road is a case in point. I would be concerned if there were no mechanism for examining such issues in the context of future decisions.

**Jim Mather:** Over the piece, the committee, economists and business organisations have questioned the consistency of allocating a significantly lower rate of real growth to the enterprise and lifelong learning budget in comparison with the generality and in comparison with some specific areas of Government activity. The increase in that budget is 3.7 per cent as against an overall average increase of 7.3 per cent. Given that growing the economy is the Executive's top priority, what signal is that meant to convey to investors and to the rest of Scotland?

**Tavish Scott:** I am sure that Mr Mather would accept that moneys that help to grow our economy do not come from only the enterprise and lifelong learning budget. I would argue strongly that investment that we make in education in the round, for example, is a significant element in the formative years for growing our economy.

There is an interesting argument about how, in general, we can spot and clearly identify funds for cross-cutting issues, such as for growing the economy—I assume that that is the issue that you are raising. However, we could argue that there is a strong commitment to the objective in question across the budget, and that we try to fulfil that commitment across all budgets that are relevant to the general theme.

I take the point about the signal that is conveyed, but I simply point out that I consider matters in the way that I have described. I also take Jim Mather's point that a different construction might be put on matters as a result of considering the number that is allocated to a top line as opposed to the generality of the cross-cutting theme.

**Jim Mather:** I want to build on what you are saying. Are economic development and growth issues reflected in the targets of other departments that you involve in increased cross-cutting spend as part of the push towards achieving your targets?

**Tavish Scott:** Work is on-going. We have much more to do in that area—I would not try to disguise that in any way. We can do a lot, but doing so is not easy. Andy Kerr and I are committed to taking such work forward and to ensuring that the process is as transparent as possible. If a Government of whatever persuasion says, "These are the issues on which we will be judged," an important principle for those of us in that Government and those who support it is that we should be able to illustrate what moneys are being made available and what they are delivering. I take Mr Mather's point; however, we are determined to progress matters and we hope to come back to the committee in future on the issue that he raises.

**Richard Wilkins:** I would like to deal with a specific point about targets. Several other portfolios are quite explicit in having aims or objectives that relate to supporting the growing of the economy. One of the stated aims of the finance and public services portfolio, for example, is to support growing Scotland's economy. I cannot remember verbatim the aim of the transport portfolio in the budget document, but it supports growing the economy. I am fairly sure that the tourism, culture and sport portfolio also has an aim or objective that is specifically concerned with promoting jobs and the economy.

There are fewer directly linked targets in other portfolios, but the aims and objectives of several portfolios are directly linked to growing the economy.

**The Convener:** That might be useful for us in proceeding with our growth inquiry.

**Ms Alexander:** I agree that the ELL budget is not the only budget that supports growth. If many budgets make contributions towards supporting growth, can we in principle start to identify the expenditure of other budgets that support growth?

**Tavish Scott:** In principle and for the reasons that I outlined to Mr Mather, I strongly support being able to identify budgets that support growth. I will not repeat the difficulties that are involved, but I strongly support that general theme.

**Mr Brocklebank:** First, I will make an observation; I might then ask a question.

Perhaps the witnesses in our workshop were slightly skewed in that three represented management and one represented the trade unions. From my reading of what was said this morning, those who represented the CBI and the Scottish Council for Development and Industry, for example, seemed to think that the budget did not address the major problems in galvanising the Scottish economy. When Alan Wilson of the SCDI was asked whether the budget would stimulate growth, I think that he said that it would not. Given that that was the attitude of three of the four witnesses, and although most people thought that there was a degree of transparency in the draft budget document, there was a feeling that we were being bombarded with facts and statistics.

Someone said that we are drowning in a sea of figures and indicators and that it is not clear which are strategic and which are operational. Someone else put it more simply and said, "We have got all the facts, but what's the story and where are we going?" That is the question.

**Tavish Scott:** I am tempted to give a certain answer to that, but I will not do so. [Laughter].

**Mr Brocklebank:** I hope that you had a peaceful and conciliatory weekend, minister.

14:30

**Tavish Scott:** No thanks to you, Mr Brocklebank. [Laughter].

I hear what people say about galvanising the Scottish economy, but I meet business people—as I am sure Mr Brocklebank does and, indeed, as we all do—and they always cry out for more expenditure on, for example, transport infrastructure. The Executive is strongly committed to significant increases in spending on transport infrastructure. That will undoubtedly benefit business.

On our responsibilities and our ability to galvanise the Scottish economy, our overall concentration on skills and transport—let us concentrate on those two parts of the story—are important investments for Scottish business. I believe strongly that it is problematic to make snap judgments about such issues because many investments are made for the long term. You and I would like instant results and instant hits, but long-term investment will pay dividends because business will be able to plan in the knowledge that there is spending on transport infrastructure.

Business will also know that there is investment in skills. That investment will not deliver them a new subset of skills tomorrow, but will do so over time. I appreciate that that is not a direct result but it is a strong theme, which will develop and support Scottish business and create a growing Scottish economy over time.

**Mr Brocklebank:** The other half of my question was about being bombarded with facts and statistics with no real explanation of where we are going. You say that investment in, and improvement of, transport infrastructure is for the long term and that it will develop, but people cannot see that in a joined-up way. They do not think that you have explained how those things link together.

**Tavish Scott:** Do you mean in terms of the budget document?

**Mr Brocklebank:** Yes.

**Tavish Scott:** I am with you now. We can certainly consider and reflect on the narrative, the introductory paragraphs and the phraseology that is used. I am interested to know which facts, numbers and statistics people do not find helpful. It would be hugely interesting to me, convenor, if you could point out exactly what people criticise because we do not learn unless you guys tell us what ideas you pick up and where. I am happy to take that evidence, Mr Brocklebank.

**Mr Brocklebank:** People said that there are lots of fiddly little initiatives but that there is no great strategic framework.

**Tavish Scott:** Show me the fiddly little initiative that causes them the problem and I will find you 50 people who think that it is a pretty important fiddly little initiative—that is the nature of government, I am afraid. If there are initiatives or statistics that you think are unnecessary, I am sure that Richard Wilkins will be delighted to consider them. If the concerns relate to slimming down the document and creating more transparency, I am entirely in favour of that, but I have sat on committees that have asked for more information and more detail, so a balance is required.

**The Convener:** On the shape of the document, the committee welcomes the additional information

that was provided this year on equality commitments. That allowed us to identify those commitments more effectively.

We might be moving towards suggesting that there should be an initial release of information and that the budget should be a fleshed-out version of that, with the detail of the budgetary allocations. However, the committee has the opportunity to consider how it wants to develop that idea before its response and submission to you at stage 2.

**Dr Murray:** Many departments, not just the Enterprise, Transport and Lifelong Learning Department, have a role to play in the promotion of economic growth. That presents problems if we are to track what has been successful. As you said, minister, the budget sets out aims, which contain a number of lesser objectives and targets relating to economic growth. If we cannot attach figures to those, how can we track expenditure to find out which drivers have been more successful in promoting economic growth?

I want to narrow that down by referring to the points that were made this morning by the local authorities and others about transport infrastructure. We heard about road repairs in this area and attempts to get rid of bottlenecks—when people cannot reach businesses through the road system, there is a major impact on competitiveness. It was suggested that directing money at transport infrastructure would help the local economy. Similar things have been said in my part of the country—the problem is not specific to Lanarkshire. How can we track spending to identify where the money is making a real difference? We need to get a handle on that.

The other issue that was raised related to the water authority. It was suggested that the last two structural reorganisations had made matters worse. Because the regional councils had overall control over the development of infrastructure, they used to consider the road, sewerage and water systems and try to invest in them to encourage development. The situation is more difficult now that developers are expected to finance that type of investment.

Perhaps I have gone off at a wee bit of a tangent, but we are considering what needs to be done to promote economic growth. How can we track expenditure so that we are confident that the money is spent where it will make a real difference?

**The Convener:** The key to that is focused and co-ordinated expenditure.

**Tavish Scott:** Elaine Murray asked a fair and perceptive question which, in essence, illustrates what we are trying to achieve. As someone who is new to the process, I am wrestling with the issue,

so that I can be clear in my mind about the best way of proceeding.

Elaine Murray raised three points and I will take them in reverse order, as I think that they build up to the central point that she rightly makes. On water, for example, she is right to say that the problem is not limited to this area—let us face it, all our constituencies face the same issues. I have had discussions with local authorities and it seems that the difficulty arises because Scottish Water is not formally involved in the community planning process. If it were involved, more co-ordination would be possible and community planning boards could take a more focused look at water and sewerage services as drivers of local economic development. I strongly believe that we want that to happen and we are discussing with colleagues how better to achieve it.

On transport infrastructure, Elaine Murray again raised a fundamental question. Of course, funding for the repair and maintenance of local roads comes through grant-aided expenditure to local government.

**Dr Murray:** The local government increase is 7 per cent, whereas the transport department gets a 17.5 per cent increase, so local authorities might argue that they will not get the major hit from the increased expenditure on transport. Perhaps that is because the Executive—in some ways, quite rightly—wants to encourage the use of public transport.

**Tavish Scott:** Yes. The question is whether we should ring fence money to go directly into road repair and maintenance, be it for trunk roads or for local roads. If we were to do that, we would come under pressure from the Convention of Scottish Local Authorities not to increase in the round the amount of money that is ring fenced. The issue is genuinely difficult. You are right to say that local people feel strongly about the general level of road maintenance—councillors' surgeries abound with queries on such matters. We want to—and we do—focus on that. It strikes me as right in principle that decisions about local roads should be taken locally and that we should not impose solutions from the centre.

How do we make the difference and ensure that we follow expenditure through? Any Administration will be judged on how successfully it does that during the four-year period of a parliamentary session. That is why Richard Wilkins and his colleagues are putting a lot of effort into that work. Ministers across the piece, not just the Minister for Finance and Public Services, want to be able to show the ways in which the people of Scotland benefit from particular items of expenditure. Our being judged on that, both by parliamentary committees and at the Scottish Parliament elections, is central to our democratic process.

That is why we are giving the issue a lot of attention. We hope to be able to share more of our reflections with the committee as we refine the process.

**John Swinburne:** I agree with what Dr Murray was saying because I listened to the same witnesses as she did. Investing an additional £44 million in transport is great but, unless something radical is done to deal with the bottlenecks in the system, such as the Shawhead and Raith interchanges in this area, we are wasting our time. Transport can be improved as much as we like, but nothing will be achieved if there are bottlenecks up and down the country.

**Tavish Scott:** We will take your points back to the Minister for Transport and ensure that he is well aware of them. However, you will be aware that there are many competing priorities and that, just like any local council, the Minister for Transport has to make judgments on what the most pressing ones are. All ministers try to make such calls as best they can.

**The Convener:** As I said before, it would be nice if there were a consistent application of a set of principles when such judgment calls are made, instead of the confusion that has been evident up to now.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** We have all been asking for the impossible, to an extent, in that we have been asking for a much slimmer document that contains much more detail. However, some of the detail that we want relates to the ability to track new money for new initiatives. We know that we have limited scope to affect the budget—I believe that our adviser tells us that we might be able to affect between 3 per cent and 5 per cent of the budget—but, even within those limits, we are after more information about the new initiatives that have been set up since the elections in May. Likewise, many of the witnesses from whom we have heard would like a bit more clarity as to how the uncommitted money will be spent and how the new initiatives are explained in the budget documents.

Is there scope for more detailed information about the money that has been allotted to new initiatives? We can examine the education budget figures, but it is not clear to us where the money will go with regard to, for example, later entry into primary schools or the opening up of secondary schools to more college-like courses. Do those have a cost implication? If so, where would we see that in the budget document? We can see that there is an overall increase in the education budget, but is that already allotted to the teaching staff, for example?

The committee will be able to hold the Executive to account in relation to new initiatives if

information is presented to us with sufficient detail to allow us to track the outcomes of those initiatives. I am not sure that, in relation to the partnership agreement, we have the ability to track that money.

**Tavish Scott:** Richard Wilkins might correct me on this, but it seems to me that the new resources section of each chapter of the budget would allow for that. We might be able to have a discussion about the level of detail within the new resources section and we would be open to the committee's suggestions about what the level of detail should be.

Mr Brocklebank has pointed out that the Executive is often criticised for launching too many new initiatives and having too much detail in its budget documents, so there has to be a balance. If we broke the new resources section down to a considerable level of detail, it might become pretty big.

I take the point that Mr Purvis makes. I think that we will have to refine the process as we go along. I will be interested to hear the committee's thoughts on the introduction of the new resources section, which was done in response to an eminently sensible request from the Finance Committee in the first session of the Parliament. We should refine the level of detail as the process continues, based on what is helpful and what is unhelpful.

**Richard Wilkins:** I do not have a huge amount to add to that. On the education example, it is clear from the document that an extra £29 million is allocated next year and £49 million the year after that and that that money goes towards the Spark project and the reduction of class sizes through the provision of extra teachers. However, I take the member's point that the document does not contain a clear breakdown of resources between the Spark project and the cost of additional teachers. We could provide more information on that.

As the minister said, there is a balance to be struck between having a clear, concise document and providing the information that people need. Because the new resources section of the document contains important information for scrutiny, we could look to expand it.

14:45

**Jeremy Purvis:** I take that point on board entirely. We need to make the connection between the new partnership agreement and the subsequent budget. The Executive does a great deal of work to promote the partnership agreement. The public and outside bodies have indicated in evidence to us that they are looking for the partnership agreement in the budget. To an

extent, they are looking for something that they may never find, because the budget does not start from the election—the period covered by the current budget both precedes and follows the election. However, there should be greater clarity about partnership agreement commitments.

That builds on what we heard in previous evidence about the number of targets. Is that number appropriate and are the targets in the right place? Inevitably, the budget sets come out of the partnership agreement, but they do not seem to gel in a transparent way.

**Richard Wilkins:** As you probably know, the targets are basically the spending review targets, which accord closely with the spending decisions that were taken last autumn. Alongside those are new targets that have been added to take account of the partnership agreement. The targets are a blend of the spending priorities that we set out last year and any changes that have been made as a result of the partnership agreement. We hope that those targets fit in reasonably well with our priorities, because they set out much that we intend to do over the next four years. If that is not feeding through to people who read the document, we need to devise better ways of setting out the information. We take on board the point that you make and will consider it further.

**Professor Midwinter:** I want to pursue the issue that Richard Wilkins has raised. We are happy with the principle and the general approach of the new resources section, which is a big advance on the information that was available to us previously. However, the vagueness in one or two areas relating to the partnership moneys has caused us difficulty. The section is not consistent throughout.

I spent the weekend reading the committee reports on the draft budget, so they are fresh in my mind. It is difficult to understand how you can allocate £80 million extra to health, when the document tells us simply that decisions about how to use the additional funds have not yet been made. How did you reach the decision that £80 million should be allocated if you do not know what that money will be spent on?

There are only one or two examples in the document of such problems with transparency. Another is on page 12, which states:

"This additional money ... will enable the Executive to meet the commitments in the Partnership Agreement."

You seem unclear about what you are proposing to do with the new money. In general, we are happy with the section, but one or two points are somewhat vague.

**Tavish Scott:** I take Professor Midwinter's point about vagueness. However, I would be surprised if

the Minister for Health and Community Care and the Deputy Minister for Health and Community Care were not very clear about what they are trying to achieve on the basis of the partnership agreement. If we have not expressed that properly or got the terminology right in the budget document, we will want very much to clarify it.

**The Convener:** This year during the budget process, the Finance Committee has taken evidence specifically on performance measurement and assessment in the health sector. That dovetailed into an interesting workshop this morning, in which we spoke to representatives of Lanarkshire NHS Board and the various agencies associated with it about expenditure issues as they experience them.

There was much scepticism about whether we are using the right targets and, in particular, whether it is appropriate to focus on waiting times and waiting lists. That led people to concentrate on initiatives that have relatively marginal benefits but are expensive to deliver. For example, to reduce waiting times marginally from six months to five months was relatively expensive for the health gain that was recorded. Expenditure was being focused on medical interventions rather than on efforts to produce health gains, which is a different issue.

Would it not be better to reconsider the targets, gear them more towards broader health objectives and link them more clearly to mechanisms that are not only about health interventions, but show how health performance can be improved? Some pretty fundamental criticisms are being made.

**Tavish Scott:** Indeed, and I am genuinely interested to hear them. It is difficult for me to take a flyer at that, convener, but we certainly want to discuss those observations with colleagues and examine your evidence on the matter closely to see whether we can improve the situation. It strikes me that prevention as an overarching theme, rather than treating illness, is a strong element of the partnership agreement section on health, which gels with your point about medical intervention versus health gains. I am happy to take that issue back and discuss it. It is difficult for me to start second-guessing the Minister for Health and Community Care's reaction to the fundamental points that you have raised, but I assure you that we will take them back and discuss them.

**The Convener:** There are two particular issues. One is that, although you have said that the focus in the partnership agreement is on prevention, there is little in the budget allocations to reflect that. Most of the money has gone to interventions—often high-tech interventions—rather than to prevention-based activity that might be geared towards community planning or primary care.

The second point, which emerged particularly from the evidence that we took from Andrew Walker and Kevin Woods, is that, although the relative sophistication of the performance regime is welcome, it sometimes has a perverse effect in driving expenditure and managerial behaviour. For example, the expenditure on the requirement to meet the next mini-target on reducing waiting lists or times is disproportionate to the benefit that is gained. Should we not reconsider some of those issues so that we can create better targets for health improvement?

**Tavish Scott:** I am all for more effective and transparent targets and I will therefore reflect on what you have said and on the evidence that you will present and take the matter up with colleagues. The same point has been put to me directly in a number of forums, not least on my own patch. I take what you say, convener, but I do not think that it is right for me to take a runner at that question. We will take the point back and discuss it with colleagues.

**Jeremy Purvis:** The issue is how aggressive the Minister for Finance—the next part of the title is crucial—and Public Services will be with the departments in determining their budgets, questioning and pushing them and scrutinising the work that they do in delivering better outcomes for the money. If more good money is going after bad, how do you know? What kind of relationship do you have with the large spending departments if, year after year, they receive more money and the public see no equivalent improvements in services? Do you simply hand over the cheque if it is requested? Do you ask the departments why they want it? I understand that the approach is a gentlemanly series of discussions, but, for the scrutiny of public finances, it might be more appropriate to haul the departments over coals.

**Tavish Scott:** You could draw me on that question.

**Jeremy Purvis:** I am drawing you only slightly, minister.

**Tavish Scott:** The question is a fair one, Mr Purvis. I assure you that the process is robust. I am new to it—I will be open about that—but I am pleasantly surprised by how robust a process it is. Richard Wilkins can reflect on what happens at official level, because a lot of work obviously goes on at that level before it gets to Mr Kerr and colleagues.

I believe that the process has to be robust and that, in the light of a generally tightening spending regime, it will have to be ever more robust. Spending portfolio ministers who have aspirations, requests and pressures in their budgets will have to be ever more careful in justifying their spend. That will allow us to do what you have described:

to ensure that the spend achieves as much as it can and delivers in the context of the Administration's political requirements. We continually work on the process to try to refine it and make it more effective.

The way in which finance ministers get advice about what is going on in other departments is an important issue. Obviously, general ministerial discussions take place at a fairly headline level, but of huge interest is whether we should drill down into one or two subjects. The issue is whether finance ministers should decide which issues need to be considered closely or whether we should simply let spending ministers approach us. We want to focus more on examining departments' work, while observing the political realities and the Government's overall objectives, as well as issues about which there is public concern. We are increasingly taking those matters into account. Richard Wilkins might want to say something about the official level.

**Richard Wilkins:** There are several issues, which are linked to what happens at ministerial level. One key factor is that, in the previous spending review, we set targets for all the spending departments, which the departments were expected to achieve with the money that we allocated to them. We tracked progress against the spending review targets. One of the reasons behind the suggested possible changes to the budget process was that it would be useful—both for us and to allow for better scrutiny—for there to be external scrutiny of the departments' achievements against the money that is allocated to them. We are tracking how portfolios perform with the money that we allocated to them to see whether issues arise. In the 2004 spending review, the portfolios will have to justify why they need the level of resources that they need. The performance information that we have will play a part in how we question them on whether they need that level of resources and what they are likely to be able to do with those resources.

**Jeremy Purvis:** I have a brief follow-up question that gets to the nub of the issue. I want a much clearer idea of where in the Executive there is a grip not necessarily on performance in relation to targets but on the delivery of better public services. I appreciate that that is a lot harder to quantify, but that is the issue that I want to explore. One can judge departments against the targets that are set in the budget, but public services will not necessarily improve. Given that Tavish Scott is a minister for public services, my question is who within the Executive determines whether people who leave school are more educated or whether people in Scotland are healthier. Those issues are hard to quantify, but what work is being done in the Finance and Central Services Department on them? Without

such information, spending departments could meet their targets but not necessarily improve public services.

Wendy Alexander has more direct experience of the Westminster model and the relationship between the Treasury and the Cabinet Office's performance unit. Is there an equivalent in Scotland? Are there ministers who are breathing down other ministers' necks?

**Richard Wilkins:** The closest internal equivalent in the Executive would probably be the policy and delivery units, which are closely linked with the permanent secretary's office. Those units are responsible for ensuring that all portfolios have strategic plans and can deliver their objectives, not only by reaching targets, but ultimately by securing better outcomes for people. Their work is connected with our work, as the finance expenditure policy division, and also with the office of the chief economic adviser, which obviously has quite a lot of responsibility for looking at broader economic issues. So the policy and delivery units would be the chief groups, but they work quite closely with the office of the chief economic adviser and the finance expenditure policy division.

15:00

**Tavish Scott:** On that general point, it might be worth noting that the announcement made by the permanent secretary when he came into office recently, which is on the public record, dealt with some of the points that Jeremy Purvis made. That is an important component in driving forward the strong theme of looking from the centre at the delivery of the spending portfolios.

**Ms Alexander:** It might be helpful if you could write to us about the performance side of things. I hear what Richard Wilkins says about the performance and delivery unit and looking across the board at performance outcomes, which is a role that the unit did not historically perform. As it appears that it performs such a role now, I wonder whether the changing responsibilities vis-à-vis the Finance and Central Services Department have been put in the public domain. It would be helpful if you could write to us and lay out where responsibilities now lie and how they align with analogous organisations south of the border, in advance of the committee's report on the budget in December.

**Tavish Scott:** I am happy to do that.

**The Convener:** Especially if that helps us to reinforce the scrutiny process.

**Tavish Scott:** Indeed.

**The Convener:** I refer you to some of the reports of the Public Accounts Committee at

Westminster on whether performance and targeting regimes work as well as intended down there, before we get too much breast-beating up here.

**Dr Murray:** I would like to examine capital spend. One of the concerns raised by witnesses was that they perceived a shift of resources from capital into revenue budgeting. We do not feel that the way in which the budget is structured indicates the entirety of capital spend. In particular, table 0.05 of the budget, on departmental expenditure limit capital budgets, does not include the spend that goes through PPP.

One of the points that was raised with John Swinburne and me in the workshop this morning was about the small business sector—or even larger businesses—and how capital projects are important economic drivers. They enable people to bid and to engage with public sector development, which has knock-on effects that benefit the private sector. Is it possible to provide an accurate assessment of capital spend in the Scottish budget?

**Tavish Scott:** That is an important question. I welcome the committee's interest in this matter. Following committees' requests of finance ministers, there is a table that includes information on PPP and private finance initiative commitments. It would be good to give more detailed information on capital investment and a table—or an impression or overview—showing infrastructure investment generally, based on your or my understanding of capital investment, rather than a strict accounting definition of the term.

If the committee is looking to push the issue, we would strongly welcome that. We should be taking forward that kind of overview so that there is transparency about the figures, not just in some departments but across the Executive. I am aware that in health and, I think, in the Executive's financial partnerships unit there is a lot of detail, but I accept Elaine Murray's point that that is not true of all departments. I would strongly welcome a push on that subject, because we should do more. I would appreciate the committee's interest in that subject.

**The Convener:** We will take that up in the report, but anything that you want to give us on that would be helpful.

I have a related point on the assessment of capital spend. When we heard from our professional witnesses, if I can put it that way—I am referring to Donald MacRae and Peter Wood—it was clear that they felt that the current balance between capital and revenue spend was not as it should be and that, especially at this point in the economic cycle, and given the amount of money coming into public services and into the budget in

general, expenditure on capital projects should be significantly increased from the present level. How do you respond to that?

**Tavish Scott:** I would like to see the detail of their arguments in support of that position and would want to know whether it relates to Executive expenditure overall or to specific portfolios. What split would they suggest? I am open to such considerations, and I am sure that that applies to all ministers. However, it would have to be borne in mind that, if the Executive were to make significant switches between revenue and capital spend, that would invariably have significant implications as it would influence our overall judgment of our priorities. It is a little easy to generalise on the subject but, as I said, I would like to see the detail of the argument.

**The Convener:** I ask Arthur Midwinter to put a bit of flesh on those bones.

**Professor Midwinter:** The matter was raised with us by a number of economists when we were in Dunkeld for our away day. Part of the difficulty is the absence of the comprehensive table that had previously been available. Changes were made to the definition of capital expenditure and various accounting terms about two years ago. That means that, if we look at the documents over the years, we might think that we are spending less on capital expenditure than before; in fact, that is not the case although it seems to be so because of those accounting changes. If we had a table with the DEL capital expenditure plus capital grants to other organisations and the capital components of PPPs, I suspect that that general point about capital expenditure might not be true.

**Tavish Scott:** Indeed.

**Professor Midwinter:** In the initial years following devolution, there was a big increase in capital expenditure. At the moment, however, we do not have the necessary accurate information to respond to those economists on that point. The issue is to do with the changes that have taken place. If I am right, only expenditure that creates a public asset, rather than just capital expenditure, now appears in the relevant table.

**Tavish Scott:** We welcome that kind of push, and it is helpful that that point has been made.

**The Convener:** Notwithstanding such issues of classification, the economic arguments that were put to us were that, given the balance between public expenditure and gross national product and the growth in public expenditure, this point in the cycle was the time to take on more large capital projects. It was felt that that would have a multiplier effect on the economy, so it might serve the growth agenda.

**Tavish Scott:** That is an interesting argument. I would observe that, as this and other committees

know, it is the large and the extremely large capital investment projects that take many years to come to fruition, given the lengthy design stage, public inquiries and all the rest of it. I do not believe that any Government has succeeded in turning round such projects quickly. We take that point, and we can only reflect on it. We also strongly take on board the points made by Professor Midwinter and Elaine Murray about the clarity of information.

**Ms Alexander:** This question is also about data, I am afraid. Could the deputy minister confirm that it would be useful for us to have 10-year time series data on spending by the Executive? I will pre-empt the answer by adding, if I might, a few words. I took the minister, in his opening remarks, to concede that there are a lot of definitional difficulties and issues—I have no doubt that officials will bring him many. Suffice to say that I am unpersuadable that nothing is better than something. I might just leave you to reflect on that.

I will make a couple more substantive observations. I believe that something is better than nothing. There is a degree of time criticality, in that we are about to embark on a UK spending review, and we are in a fortuitous position. Looking back over the previous 10 years, if we go back to the last year under the Tories we see that that year represented a different ideological position compared to the rest of the time covered by the current spending review, which looks forward to 2005-06. As a result, I think that, in advance of the next spending round, it would be very helpful to have something rather than nothing. I agree that that would be imperfect, but I would draw an analogy that might increasingly be used by the public. We have never had any second thoughts about producing "Government Expenditure and Revenue in Scotland" documents every year for the past 10 years. They contain estimates, for example, on what the expected tax revenues for Scotland might be. Such estimates are, if anything, vaguer than our estimates about how we spend our own money. Over the 10 years that the GERS documents have been produced—which gives us a 10-year data series—we have rightly had an iterative process because it has not been possible to get things right at the beginning. Although many members seated around the table—including other members of the coalition parties—have criticised those documents, they have led to a much more robust process.

There is widespread acceptance that such exercises require some gallant initial assumptions about definitions, but they would be incredibly valuable in informing the on-going debate. With the next spending review hoving into sight, it would be quite useful if the deputy minister could give us his best shot about the 10 years that underpin the spending process. The committee thought that it might be helpful to provide some

warning of this request before we publish our report and before the debate in December to ensure that we had the information to inform discussions through next spring and summer.

**Tavish Scott:** Richard Wilkins is already hugely looking forward to Christmas. All I can say to that request today is that we will reflect on it.

**Ms Alexander:** Thank you.

**Tavish Scott:** You are right in one respect: I have been given a lot of reading that suggests that the matter is immensely complicated.

**Ms Alexander:** I will simply leave my GERS analogy with you, because it will be widely used. As the GERS documents are used to estimate things that are beyond our control, it will be difficult to sustain the argument that we are incapable of making even the broadest estimates about things that are clearly within our control.

**Jim Mather:** I want to build on that point. The argument that it is difficult to provide comparable data would not wash in the private sector. Corporations manage to do so day after day; after all, they cope with change with regard to takeovers, mergers and demergers. Without such data, one could not manage things. As Peter Drucker has said, "If you can't measure it, you can't manage it". However, in a climate in which there is new spend, particularly new capital spend, that is what you are asking the committee to do. From our position of relative impotence, it begins to look like there is one-way traffic of escalating budgets without any real evidence of improved productivity, throughput or outcomes. As a result, comparable data would be a very important start; certainly there would be an important market, if you genuinely want detailed external scrutiny, real-world justification of resources and proper benchmarking against what is happening in other countries.

**Tavish Scott:** Those comments are very fair. As Wendy Alexander pointed out, some gallant assumptions have to be made on this matter. However, as a political observation, I point out that, instead of playing too much with those assumptions, we might simply have to take them.

**Jim Mather:** Let us not use GERS as an example of the process. Dr Goudie has said that GERS tells us a hell of a lot about the current settlement, but nothing about independence.

**John Swinburne:** I think that the minister mentioned this issue in his opening remarks. Although it is particularly difficult to monitor spending and performance on cross-cutting priorities, the information provided on equality identifies and costs the relevant activities in a transparent way. Will you undertake to provide similar information for "Closing the Opportunity

Gap" and sustainable development priorities to ensure that a consistent picture is available next year?

**Tavish Scott:** Mr Swinburne has raised a very fair question. Indeed, we are trying to do what he suggests. For example, the figures that he has just described would be hugely helpful to ministers in the Cabinet subcommittee on sustainable development in assessing the whole budget and any priorities that might emerge from that subcommittee's discussions. We are progressing the matter.

We have already discussed the matter a little in the context of Elaine Murray's earlier points about economic growth. I believe that we need to carry out more work on it, because it is another of those areas where we will have to make some assumptions. We are also very keen to avoid any accusation of double counting; however, it is difficult to provide that information without putting at the bottom of each page vast quantities of notes that refer readers to other documents and so on. There are problems, but I am not suggesting that they are insurmountable. We must be clear about issues such as double counting in trying to achieve the objective that we all share.

15:15

**Dr Murray:** I have a brief point on a similar issue.

In connection to the points that Des McNulty made on health, through the comprehensive spending review and SR 2002 the Executive transferred money from the health budget to the sports co-ordinator programme to encourage physical activity among young people. My contention is that that is an extremely important step towards improving the health of the nation over the longer period. However, there is no way within the budget mechanism that that type of initiative can be recognised. That is frustrating for the Executive. We are not able to see from the budget the full picture as to how some of the major issues that confront the country are being addressed.

**Tavish Scott:** I take that point. That is a good example of the definitional issues that we face in trying to pull together this kind of analysis, which I hope is readily transparent and understandable to members of the public, never mind learned members of the Finance Committee. That is a serious issue and we are doing our best to make progress. A lot of interdepartmental co-operation is required. Officials have to be pulled off doing things that they think are more important so that we ensure that we get such things as definitions right and ensure that we are not producing tables that replicate another table in another part of the

document. It takes a lot of work and a lot of commitment to drive that forward, but we are determined to illustrate that as best we can.

**Mr Brocklebank:** This is a straightforward question for the committee's information. The committee has noticed the retention of funding capacity in a reserve for later years in the Parliament. Is it intended to allocate that funding in the 2004 spending review or to retain it in a contingency fund for unforeseen circumstances further down the road?

**Tavish Scott:** There are always contingency funds. It is important that we retain that flexibility. The spending review next year will take into account the requirements of spending ministers and there will be a rigorous exercise around those requirements.

The direct answer to your question is that a contingency is in place—it always has been—and it is the Minister for Finance and Public Service's intention to continue that practice.

**The Convener:** One of the things that came out of the workshops that we held this morning was that there is a degree of frustration among people who work in Lanarkshire about the complexity of putting together funding packages when the sources of funding have different requirements and funding cycles. There was a degree of optimism, which I have not heard elsewhere, that community planning might provide a focus for drawing together the requirements of a particular area, identifying priorities at a local level and making allocation decisions that better suit the needs of the local area. That is working at the local level.

Is the Scottish Executive, in policy terms and in terms of financial management, geared up to respond to those kinds of priority developments coming from a region or territorial area such as North Lanarkshire? Can the Executive begin to respond to them—through addressing the issues of different departmental priorities and budgets—more effectively than it has perhaps done until now?

**Tavish Scott:** We would need to consider some specific examples. An example that was raised with me at our budget roadshow in Perth last week illustrated that we are not doing all that we might on that particular matter.

It is difficult to generalise. I suspect, from my own experience before I was involved in the national political scene, that government in the round is full of bits that you feed into and that pulling it all together is extraordinarily difficult. The point that you have made about Lanarkshire is probably a pertinent one that lends itself to analysis across geographic areas of Scotland and across partners who are trying to procure funding

for particular projects or for a particular enterprise. I imagine that there is much that we could do on that. The best way of proceeding is for us to have one or two case studies or examples that we can use to suggest best practice to departments and to indicate where the system has and has not worked. The example that was given to me in Perth on Thursday night suggested that there is more that we can do in that area.

**The Convener:** One specific example that was given concerned the creation of multi-agency facilities, bringing together health, education and perhaps other services. Those might include job creation and job search services that are not under the Executive's control. It seems to be very difficult to assemble appropriate funding packages—not just on the capital side, where that may be relatively possible, but on the revenue side—to allow such initiatives to become sustainable, even though they represent what local people consider to be the most effective use of resources. Does the Executive recognise that the management regime across Scotland, with targets set centrally, sometimes acts as a disincentive for people to exercise appropriate discretion at local level about the best use of resources in a particular context? How might you begin to simplify the process of issuing consents to decisions, so that we can shorten the chain of decision making and allow projects to run?

**Tavish Scott:** You raise a big philosophical issue. You seem to be questioning how much control the centre has of the allocation of finance through the two main spending delivery agents—local government and local health boards. As colleagues know, they have a huge impact locally and a huge take from the overall budget. How much should the Executive dictate to other agencies, through one mechanism or another, and how much should it loosen up and give them the flexibility that they argue they should have to take and account for local decisions? It is clear that in local government we have tried to move forward over the piece to ensure that ring fencing is reduced and that local government has more flexibility in decision making. However, the difficulty for all ministers and for any Administration is the requirement to be seen always to be making progress on the key political priorities of people whom we meet in our surgeries day in, day out. We cannot avoid that. People want better health care—they want hip replacement times to come down and so on. How we make such progress is an important philosophical question for government as a whole.

My experience in local government is that we can move forward by ensuring that there is a lead project officer for every area—a structure similar to that in North Lanarkshire. When a package is constructed from the different elements of

government that must be round the table, there should be a lead person. When I was a councillor, I was very committed to that approach, which had the advantage of ensuring that when a project was proposed, people knew whom to contact. That alone tightens up the process and shortens the time scale for dealing with such matters. There is much that we can do and there are many areas in which we can do more. There is best practice from which can learn, both in the private sector and in councils.

**The Convener:** My perception—which is not just fuelled by today's evidence but which I have had for some time—is that the current institutional arrangements are serving to inhibit local flexibility and the freedom to make effective decisions at local level. The Scottish Executive is imposed on local government, health boards and the many other agencies, and the focus is on management of the budget at Scotland-wide level.

We need to slim that down in some way and we need to consider a number of measures. We might ask whether we have too many national targets and whether that distorts the process. At the budget level, we might ask whether we are forcing people to jump through too many hoops. The third issue is that if community planning is to be more than a talking shop, we need budget pooling, for example, in which people take co-responsibility for budgets in overlapping areas or contribute towards one another's objectives. We need to pay attention to the set of issues to do with how we streamline decision making, management and accountability in the constitutional context of the layers of government that we have.

**Tavish Scott:** I agree. There is a strong argument for a good-going debate on where the checks and balances should be. Wearing my local government hat, I have tried to take forward the slimming down of what community planners regard as the endless number of audits that we require of different elements of the community planning boards in the different parts of Scotland. Because they argue persuasively that they are under immense pressure to fill in numerous forms and returns for central Government, we have, with community planning partners, begun to try to simplify the process and make it much more efficient and, to be frank, much more meaningful. If we could achieve that, it would drive a lot and might provide the kind of example that we would want to implement in other areas.

**Jeremy Purvis:** What relationship will you have with national bodies and agencies with regard to their understanding how local community planning works? An example from my constituency of which you will be aware is the problem with the sheriff court building in Peebles, because of which the Scottish Court Service in effect wanted to pull out

of the town. A number of months down the line, community planning with the local police force and the local authority got under way. The matter has been resolved with a satisfactory conclusion that might provide a model of different agencies working together but, at the outset, there was a total lack of understanding that community planning could resolve it. My question is on your relationship with the national organisations, not only the relationship between local authorities and health services, but relationships across the board between all agencies and those agencies' relationships with local authorities. Do you have, as part of the process about which the convener talked, a relationship with national agencies other than the health service?

On many occasions, money will be available to local authorities through an initiative and they have to drop everything to appeal for that money, which might be available within a certain time frame and which they have to have because it has become available. However, because they might be paranoid that they will lose that money and other local authorities will get it, they might have problems taking a coherent view of their own budget. The problem is the point in their budget cycles at which money becomes available, which might be one of the biggest hindrances to their performing at the level at which they should perform.

**Tavish Scott:** There is a lot in that argument to do with the number of separate allocations that we make across different departments to local agencies, funding bodies and delivery partners. That is an issue to which we have regard and which will feature strongly in the spending review and on-going work.

On your wider point about non-departmental public bodies and other agencies that are directly responsible to the Scottish Executive, we should be clear that, unless statute states otherwise, ministers have direct responsibility for those bodies, which are therefore agents of Government in achieving a particular task, which their budgets exist to deliver. That is how ministers would wish to think of them.

**The Convener:** Perhaps you could convince your colleague Mr Finnie of that.

We have reached the end of our questions. Arthur Midwinter wants to make a few points on your letter before we move on to the next item.

15:30

**Professor Midwinter:** Minister, you raise a number of points in the letter, and somewhere in it, you ask how the budget process worked without the annual expenditure report. I made some quick notes on that this morning, but first, I welcome the

positive relationship that we have with your officials. I speak to one of the Richards almost every week, and the way in which that relationship works helps to take the budget scrutiny forward. The suggestion that was made today about the documentation and some sort of introductory narrative on the rationale for the choices, which you discussed with the convener, would provide the direction for which people are asking.

On the content of the document, we are delighted to see the equalities section, for which we asked and which provides a model for the other two cross-cutting issues. The statements of priorities for which we have asked before are included, so we are pleased to have them and the new resources section. We are also delighted at the absence of creative accounting, or what Richard Dennis tells me you call triangulation, with which we have had problems in the past. Therefore, we have made progress.

In examining how the budget process worked this year—which I think is my third round—we deliberately focused the committees on examining choices within the relevant portfolios, because there was no AER and the spending review was last year. It was not about asking for additional money; it was just about whether the committees were content with the priorities. You will see from the responses that there is minimal focus on budget choices as such, but there are a number of comments about portfolio priorities. Those are simply matters for the appropriate spending minister—we will not be bringing them to you.

The major focus is on the documentation. There are some issues to do with budget structure and some to do with process. We think that the Finance Committee should take on some of those issues next, instead of their going direct to the spending ministers. We will have a preliminary discussion on that at our meeting tomorrow.

Among the concerns that the committees have expressed about how the budget process worked this year, there are a number of recurring problems. You have just been talking about one of them in relation to the block allocations. There is the converse view that the block allocations are not transparent and may not be flexible at local level. The Local Government and Transport Committee and the Health Committee find it very difficult to scrutinise the handing over of a block grant of money without knowing where the priorities are. Last year, we got a document from your predecessor about the ministerial policy assumptions underpinning the spending review for local government. We had hoped that we would get a similar document for health—your health officials said that they would try to provide that, but I have not seen such a document. We do not know whether the Health Committee got anything, but its report suggests that it did not.

**Tavish Scott:** We will chase that.

**Professor Midwinter:** The Health Committee said that it had difficulty making sense of the block allocation to the boards and that it could not tell what the underpinning assumptions were, whereas the local government settlement spelled that out.

My response to the question about how the process worked is that it worked fine without the annual expenditure report. It is more crucial for us to find a system that fits round the spending review than to have one that fits round the AER, because the big choices are made every two years. It seems to me that what you are offering in paragraphs 7 and 8 of the letter is a sound basis for discussion with the committee. We will have to discuss that tomorrow. That is certainly consistent with the views in the predecessor committee's legacy paper about what it thought that the new committee would need to address. The contents of paragraphs 7 and 8 provide a good basis for further discussions and for achieving what I think are common objectives on the transparency of the system.

**Tavish Scott:** Thank you very much. That is very helpful.

## Subordinate Legislation

### Budget (Scotland) Act 2003 Amendment (No 2) Order 2003 (SSI 2003) (draft)

15:34

**The Convener:** We now move to agenda item 3, which is consideration of a draft Scottish statutory instrument, which seeks to amend the Budget (Scotland) Act 2003. As well as the draft order, the committee has before it the budget document setting out the background to the proposed revision.

The Subordinate Legislation Committee considered the order on 4 November and had nothing to report. The order is subject to the affirmative procedure and therefore cannot come into force until it is approved by the Parliament. The Finance Committee will therefore debate the motion in the name of the minister, which asks the committee to recommend approval of the order. If the committee does so, the Parliamentary Bureau will seek to propose a motion recommending parliamentary approval.

I will ask the Deputy Minister for Finance and Public Services to move motion S2M-553. The motion will then be debated. Under standing orders, the debate can last no longer than 90 minutes, although I am hopeful that it will last significantly less time than that. At the end of the debate, I will put the question on the motion to the committee. Before we move on to the formal debate, I will allow members to ask technical questions; I know that our adviser has several. I invite the minister to speak to and move the motion in the name of Andy Kerr.

**Tavish Scott:** The autumn budget revision is a regular piece of Government business. Members will recall discussing the summer budget revision with Andy Kerr in June, and either he or I will be back in February with the spring budget revision. We look forward to the same pattern next year.

Budget revisions are necessary because the detail of our spending plans inevitably changes over time after the budget act has been approved. We therefore have to come to Parliament regularly to seek authorisation for those in-year changes. The autumn budget revision, which is usually the most significant because of the size of the proposed changes, reflects three main types of change to our spending plans.

First, there is the take-up of end-year flexibility. Andy Kerr discussed EYF allocations with the committee on 30 September and I do not intend to cover the same ground. Secondly, there is the take-up of allocations to portfolios from the Executive's central funds; an example of that is

the additional allocations for the partnership agreement that were announced on 11 September. Thirdly, there is the transfer of resources between portfolios and between the Executive and Whitehall.

In addition, we are using this year's autumn budget revision to reflect changes to the machinery of government that were announced after the election, with the transfer of transport and European funding to what was the Enterprise and Lifelong Learning Department from the Development Department and the Finance and Central Services Department. Parliament authorises resources on a departmental basis, so we have to restate those departments' budgets in the revision. In order that those changes to the machinery of government should not obscure more substantive changes, the supporting document has been prepared as if those changes had taken place earlier in the year. We have done that in an attempt to increase the transparency of the documents and we would be willing to change that approach in the future if the committee would prefer.

The committee will notice that we have continued to amend the format of the supporting document, building in part on the committee's comments on the summer budget revision. Veterans of committees in the previous session of Parliament will be aware that this year's supporting document is approximately one third of the length of last year's document, for which I am sure we are all grateful. At the same time, we hope that we have included more useful information for the committee in considering the revision. I will be more than happy to hear the committee's thoughts on that.

I am happy to answer any questions or points about individual numbers in the document. I might only be able to offer an early explanation, but we can come back to the committee in writing on any particular points.

I move,

That the Finance Committee recommends that the draft Budget (Scotland) Act 2003 Amendment (No.2) Order 2003 be approved.

**The Convener:** One of the measures that I have been keen to use on budget documents is how much the document weighs. This document is much more satisfactory because it is much lighter than last year's version. It also contains more useful information than it did previously. I congratulate all those who were involved in the document's production.

**Tavish Scott:** Credit for that must go to the officials rather than to any minister.

**The Convener:** It would be helpful to get a clear analysis of how the additional allocations that were

funded through the partnership advance the budget priorities, including closing the opportunity gap. As an adjunct to the information that we have been given, it would be useful to see how the allocation of £334 million that is distributed among various departments advances the overall budget priorities as stated in the "Building a Better Scotland" document. I know that that is not something that you can tell us just now, but perhaps you could return to the committee when you have more information.

**Tavish Scott:** That is a fair point. We will come back to you on that.

**Professor Midwinter:** I have several technical points to raise with the two Richards, but first I would like to say that the introductory section is much better than it was. Before, the reader was taken straight into the detail, but now we are given an overview of the changes. That is helpful.

Page 10 talks about an estimating change in relation to the common agricultural policy. Does that reflect an internal change, a European Union change, a Treasury change or something else? What is meant by it?

**Tavish Scott:** I will let Richard Dennis answer that technical question, if that is all right with you.

**Richard Dennis (Scottish Executive Finance and Central Services Department):** It is an internal estimating change. As you know, in relation to the CAP and annually managed expenditure, we tell the Treasury what the forecast is and it changes our numbers to reflect our latest forecast. That is reflected in our budget documents as well.

**Professor Midwinter:** Page 17 talks about the Scottish Natural Heritage pension liabilities. Can you explain the transfer to us?

**Richard Dennis:** The SNH pension is joining the principal civil service pension scheme. The SNH scheme was being scored as a non-funded pension scheme while it was an independent-by-analogy scheme. Because the Treasury knew that it would have to meet those contributions eventually, it has given us a lump sum that we will pay to the principal civil service pension scheme to fund the liabilities that result from the transfer. In effect, the money is going around in a circle.

**Mr Brocklebank:** I wanted to ask about the £50 million for decommissioning aid. Is that £40 million for decommissioning and £10 million for transitional funding?

**Tavish Scott:** Yes.

**Mr Brocklebank:** Is that sum cash limited or might more funds be available if required?

**Tavish Scott:** That budget figure is cash limited.

**Mr Brocklebank:** Will that position change?

**Tavish Scott:** It will change if the Minister for Environment and Rural Development enters into the process and asks for more resources. All ministers are able to do that in relation to their portfolios.

**Mr Brocklebank:** Does that money include the sum that Mr Finnie talked about back in February that might be available for the processing sector if it came up with imaginative schemes that it wanted money to pay for?

**Tavish Scott:** I would have to check what Mr Finnie said. I believe he said that in response to a question that you asked in the chamber, and that he was referring to an existing budget for the processing sector that was announced by a previous deputy minister. The best way of giving you a clear answer would be for me to write to the committee at a later date.

**Professor Midwinter:** I have some more questions in the interests of clarity and transparency. Page 37 contains the phrase:

"Identification of capital provision within resource budget".

What does that mean?

**Richard Dennis:** We are simply increasing the capital budget by the amount by which the resource budget is going down. That money was wrongly classified in the original budget documents.

**Professor Midwinter:** On page 41, there are two items that appear to be too large to be classed simply as "Other expenditure" and "Purchases". Do you know what they are? Are they catch-all categories or are specific items allocated to them?

**Richard Dennis:** I have detailed explanations of every change and I would have to look that one up. Would you rather that I wrote to you with the explanation?

**Professor Midwinter:** Yes.

On page 48, we read about a

"reclassification of resource and capital".

Is that the same as the line that we just discussed, which reads:

"Identification of capital provision within resource budget"?

**Richard Dennis:** Yes.

**Professor Midwinter:** On page 49, is there any need for concern about the drop in the money that is available for access funds, given their centrality to policy issues?

**Richard Dennis:** No. I would guess that that is simply an adjustment to reflect demand so far, but I will confirm that in writing, too.

**Professor Midwinter:** Okay.

On page 50, what is meant by "Indirect Capital"?

**Richard Dennis:** That is the old-fashioned term for a capital grant.

**Professor Midwinter:** I take the opportunity to be given a lesson on such matters every year.

We have a host of new committee members. Will you explain to them how the transfer of national insurance contributions operates? They are a bit worried that they have lost £0.5 billion from the health budget. How does the transfer work and how is the calculation done?

**Richard Dennis:** I will take another tack by saying that the transfer simply does not matter for committee members.

**Professor Midwinter:** That answer was given last year, too.

**Richard Dennis:** My predecessor would have given that answer. Basically, a share of national insurance contributions is assumed to form part of the funding of the health service, so a share comes to Scotland. The Treasury makes that notable adjustment. Rather than give us direct budget cash, we are seen notionally to receive a share of national insurance contributions. Regardless of the process, we receive the same amount of money.

15:45

**Professor Midwinter:** So we are talking about a presentational matter.

**Richard Dennis:** Yes. There is a detailed way of working out the share that we receive, but it has no practical import.

**Professor Midwinter:** That is the key issue.

Finally, page 65 mentions "Reducing the Underspend". What does that mean? A small amount of money is involved.

**Richard Dennis:** Around November last year, ministers considered the Executive's prospective total underspend and the amount of EYF that was likely to be generated and they realised that there was room to commit additional in-year spending. Members might remember the two main mechanisms that Mr Kerr explained in detail at the meeting on 30 September. Portfolio ministers were asked whether spending was scheduled for this year that could be brought forward or whether there was additional one-off spending that would deliver good value for money last year. Where spending was brought forward or additional spending was committed, it was clear that there was a need to reimburse portfolios this year for such spending. That is why some money came back into the budgets.

**Jeremy Purvis:** On page 43, which gives details of the Enterprise, Transport and Lifelong Learning Department budget, a relatively small amount appears under European structural funds. Has the underspend that we heard about in previous meetings had an impact on the revised European structural funds, or is it not connected? On the underspend, the minister told us that he could not say what the Executive's policy was in respect of areas of Scotland that had not managed European structural funds well. I wonder what the Executive's response is.

**Richard Dennis:** The amount is not a response to that specific point. For Scotland as a whole, the European structural funds budget is ring fenced so that any underspend in one year becomes available in the next year. The money rolls on until it is eventually spent. However, that does not particularly answer what you have asked. We must chase up what is happening.

**Tavish Scott:** My experience in the Highlands and Islands is that the money rolls on and the aim is to spend it in a six-year programme period. However, we will chase up what is happening.

**Jeremy Purvis:** My question relates to the European Commission's mid-term review of the six-year period, which is this year.

**Tavish Scott:** We will find out about the matter.

**Jim Mather:** Listening to the minister talk us through the components that drive change in the budget was interesting, but there seems to be one missing component—transfers as a result of portfolio reorganisation, efficiency, policy successes and so on. Is there a mechanism in train to make heroes of those who successfully manage portfolios, squeeze out costs and release funds for reallocation?

**Tavish Scott:** I suspect that we would take forward that matter on an individual departmental basis at the moment. However, it is an interesting point. I will reflect on it and discuss it with colleagues. I believe strongly in celebrating our success in the budget and that we should try to encourage and champion what we do well. Nevertheless, at the moment the focus is internal, on individual portfolio departments, rather than across the Executive. We will return to that point.

**Jim Mather:** I would like to develop that a level further. If we are to conduct external scrutiny, if there is to be comprehensive benchmarking and if you are going to ask people to justify their budgets, having something like that as a carrot or motivator—a mechanism whereby recognition and credit could be given, which could be in someone's career interest—would be entirely beneficial, healthy and helpful.

**John Swinburne:** After being serious all day, I compliment Richard Dennis on the cavalier manner with which he dealt with the matter of pensions for civil servants. Is there any chance of getting him transferred to look after senior citizens' pensions credits? That would be greatly appreciated.

**Tavish Scott:** I am sorry, but there is no chance of that. Richard Dennis is too important to us.

**John Swinburne:** Well, one has to keep trying.

**Tavish Scott:** It was a fair try.

**Professor Midwinter:** Remember the Bosman ruling.

**John Swinburne:** Yes. Wait until the end of the season.

**The Convener:** We now have to go through the formal process.

*Motion agreed to.*

That the Finance Committee recommends that the draft Budget (Scotland) Act 2003 Amendment (No.2) Order 2003 be approved.

**The Convener:** We are required to report to the Parliament. As such reports are normally very brief—two lines—I propose that we seek to agree the text of our report by e-mail correspondence. I hope that members are content with that.

Ever since the Finance Committee agreed to come to Motherwell, Motherwell Football Club has been on a blue streak. John Swinburne will perhaps be particularly aware of that.

**John Swinburne:** We have not lost a goal and have taken 12 points out of 12.

**The Convener:** The team has been doing superbly well. I put that down entirely to the fact that the Finance Committee decided to come here.

**John Swinburne:** If only the Parliament could meet here and save £400 million, we would win the league.

**The Convener:** We should work out who needs our support and go there accordingly.

I thank all members for coming out here today. I also thank the officers who have supported us—the clerks, the official report, and so on—and the portering staff who have come. I thank Motherwell civic centre for accommodating us and North Lanarkshire Council for making us welcome. I formally thank all the participants of this morning's workshops. I will write to everyone who took part, thanking them for their contribution.

Today has been a successful example of the Parliament getting out and engaging with the people of Scotland. We have also had a successful afternoon with Mr Scott, who goes away unscathed from all the questions that we have been firing at him. I look forward to seeing the members of the Finance Committee again at 10 o'clock tomorrow morning.

*Meeting closed at 15:53.*



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