

FINANCE COMMITTEE

Tuesday 27 April 2004
(*Morning*)

Session 2

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FINANCE COMMITTEE

13th Meeting 2004, 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)

Rachel Edgar (Scottish Executive Education Department)

Mr Andy Kerr (Minister for Finance and Public Services)

Elaine Smith (Coatbridge and Chryston) (Lab)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Terry Shevlin

ASSISTANT CLERK

Emma Berry

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 27 April 2004

(Morning)

[THE CONVENER *opened the meeting at 10:02*]

Spending Review 2004

The Convener (Des McNulty): I welcome the press and public to the 13th meeting this year of the Finance Committee and, as usual, I remind people to switch off their mobile phones and pagers. We have received apologies from Ted Brocklebank and an indication that Jim Mather might be late.

The first item on the agenda is consideration of the spending review 2004 as part of our budget scrutiny. We have with us the Minister for Finance and Public Services, Andy Kerr. Accompanying him from the Scottish Executive Finance and Central Services Department are Richard Dennis, finance co-ordination team leader, and Richard Wilkins, who is a member of the spending review team. I ask Andy Kerr to make an opening statement; I believe that he intends to make a presentation, which he estimates will last about 15 minutes, after which he will take questions. Members have been given a handout that relates to the minister's presentation.

The Minister for Finance and Public Services (Mr Andy Kerr): I hope that the committee has had an opportunity to take a good look at the new format of the annual evaluation report. I am sure that later in the process we will discuss the AER and the way in which we are, I hope, continuing to improve the efficacy of the information that we provide to parliamentary committees and the wider public.

As members are aware, this is the first of my two appearances before the committee on the budget process. The reason for my giving a lengthy presentation is to provide background information that will give members greater clarity on what will happen next—that information might guide the committee's thinking on how to cross-examine me and the Executive more deeply when I return later in the process. I hope that my presentation will meet that expectation. I will talk about the prospects for the spending review and tell the committee a little about how we in the Executive are taking it forward. To do that properly will take a wee bit of time, but I hope that it will be time well spent. I am certainly happy to take questions at the end of the presentation.

We promised the committee an assessment of the likely outcome of the spending review to inform its stage 1 discussions. As members know, we intended to include that in the AER, but we could not do so, because of pressure of time arising from the need to get the report out before the start of the new financial year and because the United Kingdom budget was not announced until 17 March. Through this presentation, I hope to discuss in a less formal way the information that the committee seeks to know and understand.

I should make it clear from the start that we have no privileged information on the outcome of the UK spending review. All the information that I am about to give, and the information that Richard Dennis and Richard Wilkins have been working on, is publicly available. Most of it comes from supporting documents to the budget statement, from the red book or from seven or eight other documents that were used as part of the process—most of the supporting documentation was published alongside the Chancellor of the Exchequer's budget. I have every confidence that the committee's researchers have, or will have, access to those documents.

Slide 2 shows us the changes in the UK fiscal position. As the committee knows and as I have been saying, there have been warnings for some time that the current spending review will not be as generous as the previous two. The budget showed us that, as we look forward, the UK's fiscal position is not as positive as it was thought to be at the time of the budget in 2003, as became apparent from the chancellor's statement. The current budget is forecast to return to surplus slightly later, and net borrowing is forecast to remain slightly higher, than was forecast in the previous year. In context, with gross domestic product running at £1,300 billion, those are relatively small changes, but they mean that there is even less reason to expect large increases such as those that we received in previous years.

Slide 3 attempts to show that the overall economic outlook remains positive and strong. GDP is forecast to grow between 3 and 3.5 per cent in 2004-05 and at trend thereafter. In the slide, we try to put the spending review in context by pointing out the economy's underlying strength. We have a fairly tight settlement, but we should not lose the bigger message on the performance of the economy.

Slide 4 uses the same projections to show that the average current budget from the start of the economic cycle in 1999-2000 to 2005-06 is in surplus by about 0.1 per cent of GDP. The UK therefore remains on track to meet the golden rule, even on the most cautious case. That reinforces the messages about strong fundamentals in the economy and slower growth in future public

spending. Of course, the apparent tightness disappears when we consider that by 2005-06 public spending in Scotland and indeed in the UK will be at historically high levels after a fairly lengthy period of rapid growth. It is clear that no country can afford to increase public spending as rapidly as that every year.

Making forecasts about the forward fiscal position requires detailed assumptions about the future level of public spending. Slide 5 shows some of the assumptions that we use. Budget 2004 set, for the first time, firm overall spending limits for the SR2004 period, based on the key assumptions that are set out in the slide: no tax changes, no changes in 2005-06 and so on. When we turn that into cash and project forward from 2003-04 to 2007-08 in terms of current capital spending, we get the numbers that are indicated in slide 6.

I point out by way of a health warning that the Treasury does not spell out its assumptions in full detail. For example, we know that, of the total expenditure that is set out in the slide, annually managed expenditure will account for £220 billion in 2005-06, but no assumptions are given for the split between departmental expenditure limits and AME for 2006-07 or 2007-08. Of course, we will receive consequentials only on DEL increases.

Before we consider what the budget may mean for Scotland, I underline that that is the point that we have reached with our assumptions. In the remainder of this part of the presentation, I will not be dealing with hard facts. The committee's guesses—or those of its advisers—may be as good as, if not better than, ours. We await the outturn to see exactly how we have done. However, I hope that our sharing of how we see the situation, in the spirit of openness, will be of use to the committee.

Slide 7 shows the consequentials that have already been announced. The spending review on which we have embarked is perhaps a little unusual in that we already know the lion's share of our consequentials. The settlement for health for the period to 2007-08 was announced as far back as 2002, in the budget for that year. Budget 2004 also announced the SR outcome for the Department for Education and Skills. The DFES covers higher and further education, but it does not cover the part of the education budget that is funded through the local government settlement.

There were other announcements in the budget, such as those of a guarantee of a real-terms increase in spending on defence and transport and of a cut of at least 5 per cent in real terms by 2008 in the budgets for the Department for Work and Pensions, the Inland Revenue and Her Majesty's Customs and Excise. Although those are pointers—the reductions that have been

announced underline the message that this will potentially be a tough round—they do not give us the hard numbers with which we can work solidly. That health warning remains.

Slide 8, which is entitled "The guessing game...", puts on the record my position and that of the officials. When it comes to filling in the blanks to allow us to estimate what our total spending review outcome will be, we do not have any additional information that is not available to the committee. There is a wide range of potential outcomes that would fall within all the parameters that the chancellor has fixed.

The slide illustrates one way of making a forecast, but I do not claim that it is necessarily the best or only way of doing that. One of the parameters that we agreed for the presentation was that everything that we used would be either freely available in the public domain or easily replicable by an independent researcher. As members can probably guess, Executive officials have a number of more complicated models. However, although the possible outcomes range fairly widely, arguably what the slide shows is as good a guess as any. It would be misleading for me to give the committee a range within which the outcome may fall or to provide an estimate of the degree of confidence that I have in these figures. However, I hope that it is useful for the committee to see where our current thoughts lie. The figures are no more than ball-park estimates, so members should not place undue weight on them.

Slide 9 shows what the figures would mean for Scotland and some of the effects that they would have. I remind members that consequentials are not our only source for resources for allocation. Anything that we generate ourselves—from improved value for money, from non-domestic rates or from council tax—would be additional. We will need to consider carefully issues such as whether we should set aside provision now to help to meet further pressures later and what level of contingency fund the Executive will need or should have.

Without improved efficiency and productivity, inflation and pay pressures will take a substantial part of whatever increases we receive. I have repeated that message on a number of occasions, most recently at the Scottish Trades Union Congress conference in Glasgow. As I pointed out then, pay accounts for roughly 50 per cent of Executive spending and is extremely important to us. Members must realise the importance of holding growth in the pay bill to no more than inflation.

Members will see what a large share of our likely overall allocation comes from the health consequentials. As we have said previously when discussing spending reviews and budgets,

devolution would be less than effective if we were simply to mirror Whitehall allocations. Members will recall that in the previous spending review we decided that, although the full health consequentials should be spent on health, they would not all be spent by the Health Department or in the national health service. Some were spent on physical activity co-ordinators, nutrition and alcohol and drugs work, for example. We are aware of the pressures on the NHS in Scotland.

10:15

I will move away from talking about the potential allocations to talking about how we may use them. It is appropriate that, having indicated how we see the numbers at the moment, I now discuss issues relating to the spending review process. If it is acceptable to you, convener, I will now move on to that aspect of the presentation and deal with that part of our work.

Our work in the spending review is done in the knowledge that, as I have pointed out, the increases in public spending that we receive will be much smaller than those from which we benefited in 2002 and in 2000. However, as a result of the two previous spending reviews, we are starting from very high baselines and levels of expenditure. As I have said repeatedly, that gives the Government an opportunity to realign some spending within baselines, to ensure that it matches our priorities more closely. The 2004 spending review is intended to ensure both that new resources are allocated as effectively as possible and that, where appropriate, existing resources are realigned to meet priorities.

How do we do that? I will describe some of the process for the spending review. Each portfolio must prepare two key documents: the spending review assessment and a list of the portfolio's aims, objectives and targets. Portfolios have already submitted draft aims, objectives and targets to me, which will be finalised during the summer. The spending review assessments will be submitted next week. Those assessments provide me with a clear indication of the pressures that each portfolio faces. Portfolios are expected to show what they will deliver for different amounts of resources—we are concerned with the delivery of outcomes and outputs.

I have asked portfolios in the assessments to give me information on several key issues: the scope for efficiency savings; the ability to realign resources by reducing funding in areas that we no longer consider to be priorities; the pressures that they face and whether they require additional funding to deal with those; and their main priorities for spending.

The spending review assessments form the basis for the discussions that Tavish Scott and I

will have with spending ministers in late May or early June. We will then report back on the emerging picture to the Executive's spending strategy group. As I am sure members are aware, the group consists of the First Minister, the Deputy First Minister, Tavish Scott, the permanent secretary and me.

By the end of June, the spending strategy group will have a clear understanding of each portfolio's priorities, the levels of outcome that portfolio ministers will promise to deliver for different levels of resources, the extent to which budgets can be realigned and the trade-offs that are involved in delivering efficiency savings. We will also have had the chance to study the reports of the Finance Committee and the subject committees, so we will know what committees see as the priorities for the spending review.

Tavish Scott and I will undertake a further round of meetings with spending ministers in August, after we know the outcome of the UK spending review. We will bring a final package of proposals to Cabinet at the end of August, before announcing the results of the spending review in September. As soon as possible after that, we will publish the draft budget. When we do that, we will provide information about how we have responded to committees' stage 1 recommendations.

I am sure that members will be relieved to know that I have reached the conclusion of my presentation. The entire purpose of the spending review process is to enable us to make the most of the resources that Scotland has at its disposal. That is a vital task and we are doing everything that we can to get it right on every occasion, as we acknowledge that we take resources from taxpayers—hard-working families and businesses in Scotland. The Finance Committee is right to take a keen interest in that task. That is why we have worked with the committee to enhance its scrutiny of the spending review process. I am sure that committee members will want to make many points about my presentation and areas on which they seek fuller information.

The Convener: I crave the indulgence of the committee and suggest that we split questions into two groups. First, we should ask about the numbers that the presentation contains. Secondly, we should consider the spending review process. That is a reasonable way in which to proceed.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I cannot recall Gordon Brown describing any part of the budgetary process as a guessing game. I am encouraged by the minister's candour in indicating that it is and that the process is a matter of filling in the blanks—a sort of fiscal "Blankety Blank".

I will ask the minister about efficiency savings and press reports at the weekend concerning the

UK position, which he covered in the presentation. I refer to reports about a leaked paper from the Treasury, which indicates that up to 20 per cent of all public spending is wasted—in the sense of its achieving no purpose, little purpose or no demonstrable purpose. Will the minister give us an idea as to whether he thinks that in Scottish Executive expenditure over the year—even if we just take the first year of the Administration, 2003-04—there has been wasted expenditure? What is the figure for such wasted expenditure? Is it 20 per cent? Why is the minister only now looking for efficiency savings in the process? Will he explain why the process did not result in savings last year and in the first session of Parliament?

Does the minister feel that, in relation to non-departmental public bodies—known to 99 per cent of us as “quangos”—there has been a complete failure on the part of the Scottish Executive to exert any control over a form of expenditure that in some cases seems to be out of control? Let me be quite specific: I refer to Scottish Water, Scottish Enterprise, the Scottish Environment Protection Agency, Scottish Natural Heritage and VisitScotland. I take it that the minister will consider the issue as part of overall expenditure, but does he accept that there has been a complete failure to control elements of waste, particularly in the realms of quango expenditure? If not, will he tell me what form of control there has been over the past five years because, with great respect, I am not aware of any?

Mr Kerr: As ever, we have got off to a positive start with Fergus Ewing. I have to say that I disagree with everything that he said—both the intonation and the meaning behind it. I will challenge some of those points right now.

I was trying to give the committee an insight into the process that we are currently embarked on. There is a guessing game at the moment because, at this point of the cycle in the budget process, decisions about resources that will affect the Executive have yet to be taken elsewhere. However, that does not prevent the key work from taking place. I have been working on the spending review for months. If I remember correctly, the first papers about the processes that we would be involved in went to the Cabinet in November 2003.

The review follows on from some of the successful work that we have done in the past on matters that relate to the points that Fergus Ewing raised about efficiency. I continue to work with Treasury ministers—I meet the Chief Secretary to the Treasury frequently—and my colleagues, the Executive officials, continue to work closely with officials in the Treasury in London.

Let us tackle the interesting issue of waste of public sector expenditure in relation to productivity. I do not call putting a classroom assistant into a

primary school a waste of public expenditure, albeit that that is not reflected in the calculation that was carried out for the paper to which Fergus Ewing refers, nor do I consider it a waste of public expenditure to put more nurses into hospitals, even though that, too, affects the productivity figure. I suggest that what we seek to achieve in public services in Scotland, which is an increase in quality in public services, needs to be reflected more accurately.

How can we get such an increase in quality? On some occasions, that is achieved by increasing the number of staff. We all agree on that. I am sure that the Scottish National Party's manifesto made a commitment to increasing the number of nurses, doctors and police. The difference is that we had a way of paying for such an increase and the SNP did not.

When we look behind the press reports, we find that the simple ratios adopted do not reflect the political priorities of the Executive. An extra classroom assistant, smaller class sizes or a nurse who can spend more time with a patient all reflect an increase in the quality of public services, which I think is to be welcomed.

On Fergus Ewing's last point—if I have not covered any of the other points that he raised, he is welcome to come back to me, as I am sure he will—it annoys me that, when people see things happening in London, they assume that nothing has been happening in Scotland. Nothing could be further from the truth in relation to the Executive's efficiency measures, which we have been undertaking for a number of years. We have probably the best-developed procurement system in Europe, if not the world, through eProcurement Scotl@nd. I chunter on about that in press release after press release and refer to it in speech after speech, so it is surprising that all of a sudden the issue becomes interesting because something has happened at Westminster.

Our e-procurement system in Scotland is saving the NHS money. For example, the cost of a tunic is now half what it was four years ago because of what we achieve through the e-procurement system—a 51.7 per cent reduction in the cost of a tunic is something that we should talk about more. I talk about the issue, but perhaps that does not get reported in the papers that Fergus Ewing reads.

The committee can rest assured that, through e-procurement, we are seeking to obtain substantial savings in the health service and throughout the public sector. A small example—going from the macro to the micro—is the work that we have done on the facilities management contract in the Executive, which saved us £2.5 million and led to 50 job losses because of changes in the way in which we are carrying out that work.

Another example is the endless work that we are putting into the modernising government fund, which allows local authorities and the public sector to work together to produce efficiency in investment in infrastructure, in particular in information technology and sharing best practice. We are working across 32 local authorities and 15 health authorities to ensure that we are collating information and upgrading our skills in relation to efficiency and effectiveness.

It is a bit rich to say that we have only just discovered efficiency. That is not true. We have a good track record and we are continuing with that focus. We understand that the money that we spend comes from hard-working families and businesses in Scotland and that our responsibility in the Executive is to ensure that we spend that money wisely. That is what we are doing.

The Convener: I will let Fergus Ewing have a brief follow-up question. A party-political exchange is not really what we want.

Fergus Ewing: The Scottish Executive's expenditure has risen from about £16,000 million to about £23,000 million. My view—it is shared by many commentators—is that we have not seen a corresponding 50 per cent increase in productivity, performance or improvement in our public services or in any other area of Scottish life. The minister mentioned two examples, but frankly those are drops in the ocean.

The minister did not respond in any way to my question about quango expenditure. Will quangos be included in the process of efficiency savings? Will he give me any idea of the scope of the efficiency savings that will be sought? Does he agree that at the very least some expenditure by quangos should be diverted to essential public services? Does he also agree that such a pledge should be made to the Scottish people to reflect their real priorities, which are supposed to be the Executive's priorities, but which do not appear to be reflected in the pattern of expenditure increases since 1999? The top priority of growing the economy has had about the lowest increase in expenditure.

The Convener: Fergus, I think that you have asked the question.

Mr Kerr: Not in response to that question, but in response to the Executive's desire to ensure that we continue to focus on service improvement and on economy and efficiency of service provision, quangos and NDPBs are under that pressure and remain under that pressure.

Each minister with responsibility for an NDPB has available to them a series of measures and tools in the toolkit by which they can ensure that the resources are well spent. There is increasing scope for doing that. Fergus Ewing can rest

assured that, when I report to the public and to the Parliament about our increased effort on value for money and efficiency, those issues will be included. The top three items for consideration in the Gershon review are procurement, shared service and back-office function. We are pursuing those matters, we have been doing so and we will continue to do so.

The Convener: The committee might want to pursue that matter in due course.

Ms Wendy Alexander (Paisley North) (Lab): I agree with the Minister for Finance and Public Services that the issues surrounding waste, as it is simplistically called, rest on whether there are sophisticated measures of productivity. As the minister rightly says, one person's classroom assistant is another person's waste.

There is no doubt that waste will feature prominently on the political agenda for some time to come. Getting a handle on what constitutes waste and what does not is about having sophisticated measures of productivity and measuring the value of services to consumers, which is not easy. I will ask a number of questions—which it might be appropriate for officials to answer—about the work that is going on in that area.

How does the Scottish Executive's Finance and Central Services Department feel about the current measures of productivity in the public sector in Scotland? Is it happy with those measures of productivity in public services or are any of those measures under review? If so, on what timescale will that take place?

10:30

Mr Kerr: The question was directed at officials, so I might add something after Richard Dennis has spoken.

Richard Dennis (Scottish Executive Finance and Central Services Department): We accept much of what Wendy Alexander says. We would obviously like to have much better measures of productivity. The minister has described how, as part of the spending review, every department is re-examining its aims, objectives and targets. Part of the minister's function is to challenge his colleagues on whether their targets are the most appropriate ones and whether they tell the public the most about what the Executive is trying to deliver.

I would be surprised if the new set of targets that we will publish in September is the greatest and that we will not be able to improve on it. Improving such measures is a long-term challenge. Work is on-going. Members will know that a huge amount of work is going on down south, with which we

tend to keep in touch. However, I suspect that it will be many spending reviews before we get to where we would like to be.

Mr Kerr: That is a fair comment, but I will add a couple of things. Not all the measures are sophisticated. For example, on the procurement side—where dramatic savings are being made, as will continue to be the case—it is a fairly crude measure to say that we are paying half what we were paying four years ago for a nurse's tunic, but nonetheless that is good for the efficacy of the spending of taxpayers' money.

How do we improve the measures of productivity? Richard Dennis spoke about some of the roots of the problem. Under public-private partnerships, for example, we have the public sector comparator. The work of the Accounts Commission for Scotland and Audit Scotland ensures that there is benchmarking throughout the public sector. The national health service's internal system—the name of which I cannot remember—has a huge measurement function, which points to efficiency and effectiveness of service delivery. The measures are in place in some of those areas and the fact that they can always be improved is a challenge for us.

The other aspect is to examine where the private sector has been implementing most of its efficiency measures. It is predictable that the areas involved are procurement and overhead costs, which relate to issues such as the space that is occupied, centralisation and back-office function. There are lessons that we can learn from the private sector and comparisons that we can make in that regard. Technology is enhancing our ability to do that. I do not think that the committee's discussions so far have reflected the fact that a toolkit is available.

Ms Alexander: I share the minister's sense that, because of Scotland's scale, we are probably ahead on procurement. It is easier to get a grip on how we buy things in Scotland, because of our scale, but my concern is not about how we buy things, but about how we measure what we are doing. As you rightly say, a huge amount of work is going on elsewhere and I am not for a moment suggesting that we should replicate all that. Nevertheless, it might be helpful if officials could write to us about how we are staying in touch with the improvements on how we measure productivity.

The Office of National Statistics has produced revised statistics for productivity in health and education in England and Wales. Does the Executive intend to ask the ONS to produce the same experimental data for Scotland? We could ask the ONS to do that so that we stay in touch with what the Atkinson review and others are likely to reveal at a later stage. It is not worth pursuing

the matter now, but perhaps Executive officials could write to us about how we are staying in touch with the debate on measuring productivity in public services in England and Wales and, specifically, whether the ONS is going to be asked to produce the same data for Scotland that it has already produced for England and Wales.

The Convener: I think that we have already written to the Executive on that issue, but your general point is right.

Mr Kerr: I want to have a closer look at the ONS data in the first place. The key issue is whether we are asking the right questions. We will respond to the committee on that.

Dr Elaine Murray (Dumfries) (Lab): I want to discuss the change in the targets and how that will be reflected in the budget, given that the challenges that are identified in the AER relate to four areas. The visions in those four areas will be achieved by all portfolios; it will not be possible to do that by pinpointing performance or investment in a particular portfolio. As regards the spending review process, will you be expecting departments to indicate how much money they are allocating to each of the challenges? It is obvious that spending on a public service does not necessarily ensure that the service will be excellent. How will you be able to track that? Are the four challenges your budgetary priorities? How do you expect portfolios to demonstrate that their proposed investments reflect those priorities?

Mr Kerr: First of all, the purpose of the spending review will be to deliver the partnership agreement commitments. It is clear that growing the economy is at the top of the list of commitments and every minister will be asked in a focused way what contribution their portfolio is making to that goal. Of course, the partnership agreement is also about delivering excellent public services, supporting stronger and safer communities and developing a confident, democratic Scotland. We will ensure that those commitments are reflected in the aims, objectives and targets, the spending review assessments and the discussions that I have with ministers.

As the Minister for Finance and Public Services, I am getting more used to saying that the issue is not always about money. It is just as important that our commitments are reflected in policy, legislation, the way in which we do things and the bodies that we ask to do things on our behalf. It is arguable that, from a business perspective, the current debate about the consultation on planning will have a much greater impact on business than will discussion of the funding of enterprise agencies. As well as the things that cost us money, there are policy matters that have an effect on delivery. We are talking about policy and programme.

If one speaks to people in business, they go on about two issues in particular: transport infrastructure and the movement of goods, services and people; and education and the quality of people who emerge from our schools and universities. Although those matters are dealt with as part of the budget of Scottish Enterprise, they are not dealt with uniquely in that context. There is work that we carry out across portfolios. In enterprise and education, we are trying to change the culture of young people by encouraging them to go out in life and set up their own businesses. Even though many of those efforts are not necessarily reflected in a budget line for a particular department, they make an overall contribution.

We have the partnership agreement and we recognise that our commitment to grow the economy sits at the top of our partnership commitments. The main focus of the discussion that we will have with ministers will be their contribution to that overall target. However, that will not be to the detriment of everything else that we do. If my daughter needed to do more work on maths, we would not just leave English, arithmetic and everything else behind; as well as suggesting more work on maths, we would advise keeping up with all the other subjects at school. It is correct that we want to focus on one aspect of what we do, but that should not be to the detriment of other priorities or lead to their being forgotten about. We are focused on the need to deliver the partnership agreement.

Dr Murray: I presume that you expect some sort of realignment in the determination of your targets or your aims and objectives. I fully accept your point that not everything is about the amount of money that is spent in a portfolio. In some portfolios, the spending of a small amount of money can have a large effect—perhaps a larger effect than the investment of huge amounts of money can have in other portfolios. I take your point on that, but I presume that you expect some sort of realignment and I wonder how those of us from outside the Executive will be able to monitor that process.

Mr Kerr: I accept your point. I think that we are getting better and better at getting our targets right. We work on them much more effectively through the Executive's chief economic adviser and so on. We are trying hard to ensure that our targets are good and measurable. Everybody has the right to have a view on whether we have the right targets. I am sure that the committee has views on the targets in the AER and those that we want to take us to the end of the spending review process. Targets will be realigned and we will no longer wish to deliver on some targets, which we will try to focus more effectively. The bottom line is that everything that Elaine Murray said about the

need to realign, to get targets right and to say that some targets no longer sit with the Executive's priorities was correct.

The Convener: After examining the layout of targets throughout the portfolios, our adviser said that the finance and public services portfolio had a preponderance of process targets rather than outcome and output targets. Do you need to lead from the front and to recognise that outcomes and outputs are crucial throughout the Executive and are a key dimension of what you are trying to achieve in the matters that are under your control?

Mr Kerr: There is something in that. When we developed the targets, I recognised that point. My problem in setting targets is that much of the budget is taken up by local government, which is another democratically elected tier of government. We work closely with local government and we can set more focused targets on some matters, but local government funding involves passing on a resource to a democratically elected tier of government.

My big target is ensuring that we spend our money correctly. That is the focus of our work and it is a process issue. That involves holding ministers to account and saying what contribution they will make to achieving the partnership agreement. I will not say that I was disappointed—that is not the right word—but I recognised when I signed off my targets that they were different from other people's targets and were more process driven. Arguably, that is a result of the work in which I am involved. I am happy to reflect on that and to receive the committee's views on that.

The Convener: I think that we will have views on that. The other big spending dimension is health finance. Much of what you have said about value for money, procurement and other matters operates across the whole Executive but does not appear to operate in the same way for the Health Department, which has its own financial control mechanisms and procurement systems. Are you content with that arrangement, given that that department is a big spender and is likely to be a bigger spender if we deal with consequential in the same way? Are the same effort and energy being devoted to managing the health portfolio as are being imposed on the other portfolios under the Executive's control?

Mr Kerr: I can give a technical answer and another type of answer. Health financing is different from that for other parts of the Executive, but I am content that I have officials who can keep a close eye on what goes on in the Health Department and on any accountability challenge there.

Like every other department, the Health Department will have to deal with the realignment

of resources with priorities, value for money and obtaining efficiency. The Health Department is not surrounded by a fence with a sign that says that the department is not subject to the same rigours and requirements as other departments are.

You have been a wee bit unkind. Malcolm Chisholm might say to the Health Committee that the Health Department is arguably a leader on some of those matters. The department has centralised procurement more effectively and wants to provide back-office services more efficiently than others might do. The department is taking action with which I am fairly content. I am happy, but like every other Executive department, the Health Department is under close scrutiny and challenge from the centre.

The Convener: We may discuss capital projects later.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I have asked parliamentary questions about the proportion of the budget that is for public sector pay, which can be the largest aspect of all departments' spending and on which it is difficult to have a good idea of the forecast spend. The Scottish budget has grown, but public sector pay has also grown. We have talked about health spending, and an answer to one of my parliamentary questions said that 60 per cent of health spending was on pay. How do we obtain a good idea of the forecast for public sector pay growth in the spending review period? Some contracts are still to have an impact on local health boards, more is to come on teachers' pay and other matters such as infection control are forthcoming. Those issues involve negotiations and deals that are probably not done in or—crucially—by your department, but which will have a massive impact.

10:45

Mr Kerr: There are two aspects to the matter. We cannot dislocate pay from performance agreements. We have tried and will continue to try to ensure that pay settlements are linked to performance.

I have sent out robust messages about the difficult choices that the Executive will face on pay. If more than 50 per cent of a budget is tied up in pay—the health budget figure is higher—it is critical that any pay settlements should be linked to modernisation, improvement and better outcomes and outputs.

I acknowledge Jeremy Purvis's point, which is fair. I understand the difficulty and the fact that I will have to keep pressure in the system on local authorities and other employing bodies in the public sector, because we will not let the situation run out of control. Every 1 per cent of a pay

settlement that is above inflation costs a minimum of £100 million. That means that we cannot spend £100 million on other matters on which we want to spend it.

Absolute pay levels are important, but the other aspect is that—as the Parliament agreed—the Executive is delivering on the number of public service workers. We must consider the employees who are involved. The numbers of classroom assistants, nurses, doctors and teachers have increased. Most people agree with those increases as an intervention to ensure that our schools produce better-educated young people and that we have a healthier nation in which people are treated more effectively. We have a commonality of purpose on that, but that leads to a bigger pay bill. We need to examine closely the effect of extra public servants on the size of the public sector. Many of us around the committee table agree on those matters.

Jeremy Purvis: Are you in a position to tell us the proportion of each department's budget that has been spent on staff costs in each year since the Parliament's establishment and to forecast staff costs? That information would be extremely welcome. Staff costs will probably have the biggest impact in the spending review period. If you cannot provide that information, the committee will be unable to scrutinise how public sector pay is linked with everything else that the Executive does, which you have just talked about. Our job would be hampered.

Mr Kerr: I am happy to reflect on the effort that is required to provide those figures and on the information that we can deliver. I warn you about pure staff numbers and pure staff costs, because within them lie initiatives that we all want on the numbers of teachers, classroom assistants and others. I am happy to consider the matter.

Jeremy Purvis: The Executive's commitment to investment on page 3 of the AER is welcome. For the first time, the capital spend has been divided from other spends. Perhaps you can help me with the presentation that you gave at the start of the meeting. The slides do not have numbers, but the one that is headed "Putting that into money..." provides details of current and capital spending. I assume that that is on a UK basis.

Mr Kerr: Yes.

Jeremy Purvis: The proportion of overall UK Government spending that is capital spend is considerably higher than that for the Scottish Executive—it is nearly four times as high. Is that right?

Mr Kerr: I am not signing up to those exact numbers. The definition of capital spend does not include the arguably larger PPP spending, which represents a huge investment in the public sector

education and health infrastructure. There are differences in the calculations: our infrastructure spend may not be reflected in the figures.

Behind your question may lie an interesting question about our infrastructure targets. It is not driven simply by the way in which we now do our accounts, but I am working with officials on agreeing what our targets should be to ensure that we invest appropriately in infrastructure. Linking targets to gross domestic product might be appropriate and I will be happy to hear the committee's views on that.

I respect your question on the targets that we are setting ourselves to ensure that we do not degrade the public sector infrastructure and that we continue our investment. I am happy to work further with the committee on that. I would argue that the cold statistics do not reflect the position in Scotland. We have made huge investment through PPP, which counts as revenue.

Jeremy Purvis: We would be grateful for further clarification on that.

Other committee members have spoken about efficiency in the Finance and Central Services Department. Richard Dennis said that part of your job was to challenge other ministers. At our meeting in Motherwell in November last year, I asked questions of Richard Wilkins about the strategy unit, or the performance unit, which is at the centre of your work. I was struck by the answer that the unit was answerable directly to the permanent secretary. Would it not be better if the unit were answerable directly to you, minister?

Mr Kerr: I will let Richard Dennis talk about the figures before coming back to that final point.

Richard Dennis: The committee will be taking evidence from Andrew Goudie next week. I have arranged with the clerks that he will set out for the committee how all the different units at the centre fit together and to whom they report.

Jeremy Purvis: I was hoping to hear the minister's view in advance of my question to next week's witnesses.

Mr Kerr: I will give you my view in a moment.

Richard Dennis: As for the figures, I suspect that the committee's adviser knows the figures for capital as well as I do; I know that he has been writing a paper for the committee. Roughly, the slide shows that capital spending is about one eleventh or one twelfth of current spending. Executive spending for capital for 2005-06 is about £1.7 billion or £1.8 billion out of a total budget of £25 billion, which represents about one fourteenth. There is therefore not all that big a difference if we take PPP classifications into account.

Mr Kerr: We have to use clear language. I am responsible for driving through this work of the

Executive. It may be that the performance and innovation unit reports to the permanent secretary, but, within the Scottish Executive, I am responsible for the unit's work and reporting.

Jeremy Purvis: I think that the equivalent unit at Westminster is answerable directly to the Prime Minister. It would be good if the unit here were directly responsible to a democratically elected minister.

Mr Kerr: I think that there is a language issue here. I share your philosophy, but the phrase "report to" is a loose one.

The Convener: That can be looked into.

John Swinburne (Central Scotland) (SSCUP): It has been interesting to listen to what has been said this morning. However, what worries me more than anything else is that economic growth in this country is declining. I reckon that, in my working lifetime, something like 80 per cent of production in industry has disappeared. You are swimming upstream, minister, to try to get things moving, but are you doing enough to try to regenerate economic growth? We read in newspapers that £750 million will go to France to build tramways for Edinburgh but this Parliament should be able to encourage industrial economic growth in this country.

I detected a touch of frustration that you are working on a handout from down south. Do you welcome the prospect of fiscal autonomy? That will come, and you would then become the chancellor for Scotland.

Mr Kerr: There were some big questions there. I will deal with the last point first, on the issue of the so-called handout. We receive our fair share of United Kingdom spending and the current system is good. If that fair-share process did not work through the Barnett formula, we would spend most of our time in committees discussing the argument that we should take to the Treasury. We would then argue for six months before settling on a figure that we could probably have agreed on at the start.

I do not regard the money that we receive as a handout. Scottish taxpayers pay their fair share and we receive a fair share back. I would argue that we benefit from the way in which the system works.

Fiscal autonomy means all things to all people. To one person, fiscal autonomy means a tax increase; to another, it means a tax decrease. There is not enough debate on fiscal autonomy and I would like to have more. We have to put the facts in context. We have to consider the huge benefits that we gain from our relationship with the UK Government in terms of, for example, stability for business, interest rates and employment levels.

Recent lectures have supported the view that people put the wrong emphasis on the impact that fiscal autonomy could have on the economy. This may not be the time to go through the arguments on fiscal autonomy, although I would be happy to debate them in future with the committee. However, not advocating fiscal autonomy does not, in my view, indicate a lack of ambition. I get very annoyed when people suggest that we lack ambition for Scotland. My ambition for Scotland, which is shared by the Executive partners, is to grow the economy, to have good, high-quality public services and to be part of the UK. If we consider reports from the Organisation for Economic Co-operation and Development, we see that our macroeconomic structure is the envy of our international competitors throughout the rest of the world. That is good. Throwing that away, to achieve the kind of fiscal freedoms that some would advocate, would be inappropriate and dangerous.

Mr Swinburne mentioned manufacturing. Our economy is open to worldwide demands and pressures. However, work that we are doing in Dundee, Glasgow and Edinburgh has huge impact worldwide. We are selling services throughout the world. Sometimes we win and sometimes we lose in those areas, but we are exporting our skills and labour. Our manufacturing output has worldwide impact. We cannot defeat the openness of the economy, but we can ensure that we are smarter, quicker and more productive; that we have the infrastructure to transport goods and people; that the output from our schools and universities is of high quality; and that we support industry. Look at the statistics for the growth of the Scottish economy. There is confidence in the manufacturing sector and the whole of the economy. Without being complacent, I would suggest that we are in a healthy position. Businesses are telling us that they are confident. When they consider whether to employ, or whether their order books are growing, they see that all the indicators point upwards.

John Swinburne: I do not know where the minister is starting from when he talks about industrial growth. I assure him that, in 2004, we are a much poorer nation because we are not producing as we did 40 years ago. We were a manufacturing nation for the world, but we no longer export goods that bring wealth into our country. The Executive should be promoting manufacturing as much as possible.

Mr Kerr: We are. Through the manufacturing steering group, we continue to support manufacturing as effectively as we can. However, we have to consider the upside. Work on biotechnics at the University of Abertay Dundee and work in the Edinburgh financial services sector—indeed, the Scottish financial services

sector—are well recognised worldwide. The business impact around the world is massive.

I do not dispute that the economy of Scotland has changed. The world has moved on and global competition has a massive impact on what we can do in Scotland. However, let us talk up some of the successes of the Scottish economy and Scottish skills. We have some very successful industries.

John Swinburne: But we do not—

The Convener: We are beginning to drift away from the spending review, John. We should focus our attention on that.

Jim Mather (Highlands and Islands) (SNP): I read the AER with considerable interest, and I read it in conjunction with a document from Robert Huggins Associates Ltd—the “European Competitiveness Index 2004”—which shows Scotland dropping down the competitiveness league table. The document shows, for GDP per capita, Scotland dropping from 36th place, in a league table of 87 countries, to 49th place by 2010. Given that economic growth is a function of competitiveness, how is current spending halting that slide and boosting Scotland's competitiveness?

11:00

Mr Kerr: It never ceases to amaze me how people manage to pick such reports out of the air. I will read the report—do not get me wrong—but I think that we should try to pick out other reports with forward projections for the Scottish economy that show positive aspects. We do too much talking down and not enough talking up. I will look at the report that Jim Mather mentioned and respond to him once I know its content.

The FEDS document—“The Way Forward: Framework for Economic Development in Scotland”—and “A Smart, Successful Scotland: Ambitions for the Enterprise Networks” have given us the right prescription for our enterprise agencies. Our support for those agencies is having an impact through the intermediary technology institutes, support for the business networks and support for business. We are making a huge investment in Scotland's infrastructure, the budget for which is rising to figures that were previously unheard of. We are promoting entrepreneurship in schools and funding our universities and colleges to produce good strong graduates.

All that stuff combined needs to be taken into account. As I said at the start of today's meeting—I am not sure whether Jim Mather was present—people should not read the budget for the Enterprise and Lifelong Learning Department as

the Executive's contribution to growing the economy. Every Executive minister has a contribution to make to that. That is clearly the case for tourism, culture and sport and for education, but it is also the case for other aspects of our work.

I will look at the report that Jim Mather mentioned, but I return to the point that every economic indicator in the past quarter, if not the past six months, has pointed to an upward trend in the Scottish economy. We should mention that more often.

Jim Mather: I am interested in the minister's response. Last week, the Irish academic John Bradley suggested that our cross-cutting reviews that pluck numbers from various different budgets are no substitute for a strategy. Let me return to the strategic issue. Some witnesses from whom we have heard, such as Donald MacRae, have made the critique that the Executive needs to set a smaller number of macro-targets on issues such as growth, population and productivity to which hard numbers should be allocated so that people can compare what the Executive planned or aspired to do with the outcome. How do you respond to that?

Mr Kerr: As I recall, John Bradley said that Scotland has many more benefits than a small country such as Ireland. He also said that the solution lies not in fiscal autonomy, as John Swinburne suggested, but in making use of the resources that we have and ensuring that we have the right instruments to make that change.

Without seeking to repeat my earlier comments, I point out that we have at our disposal many levers that we can pull, push and use to the benefit of the Scottish economy. I do not know that I can add much to what I have said. I think that the smart, successful Scotland strategy has been endorsed by all the academics who have taken part in the Allander series lectures, the vast majority of whom rejected independence and fiscal freedom as the solution for the Scottish economy and suggested other mechanisms, which we continue to consider.

Jim Mather cannot have it both ways. He cannot extract just one aspect of what a commentator has said without reflecting the full content of that presentation.

Jim Mather: With respect, my question was whether we should have a smaller number of firm, open and understandable macro-targets to show how we are doing.

Mr Kerr: I apologise for failing to address that.

Targets are set within the AER document. Jim Mather might be able to suggest other targets, but the targets need to be measures for which

Executive ministers have control over the levers that allow us to make the targets work. That is how we are held accountable. There is no point in my setting targets for things over which I have no control or influence. I have said to the committee that I am always happy to discuss our targets, but it is difficult to set targets for population increase or decrease and for other aspects that are beyond our control; we play our part in such things, but we do not always have the direct levers of control. What happens in the American economy has a huge impact on Scotland, but I do not control the American economy. I am happy to sign up to targets for things for which we are responsible and should be accountable, but the targets must be on things over which we have responsibility and control.

Ms Alexander: Although I am tempted to address those wider issues, I will ask just two very narrow questions.

I share the minister's concern that, whatever financing arrangements we have for Scotland, we should avoid any annual bargaining round and all the controversy that goes with that. The minister mentioned in his presentation that we do not know what consequentials Scotland will receive from the spending review because it is not clear how departmental expenditure limits, as opposed to annually managed expenditure, will increase. When the DEL information is published as part of the spending review, will we have transparency on precisely how the budget consequentials have been calculated, department by department? What change has the Finance and Central Services Department seen in the level of that transparency over the past five years? That question might be for the officials.

Mr Kerr: Richard Dennis will respond.

Richard Dennis: The Treasury has always provided us with a detailed breakdown but, to date, it has requested that we keep that confidential. However, in its recent evidence to the Scottish Affairs Committee at Westminster, the Treasury published the departmental breakdown for the past two spending reviews.

Ms Alexander: My second technical question relates to Jeremy Purvis's point, which Andrew Goudie will address next week, about the confusion that surrounds who does what in the monitoring of how money is spent. At UK level, there is a high level of clarity about the respective roles of the departments, the Treasury and the Cabinet Office's performance and innovation unit and delivery unit. Given that we have a sense of the logic behind that split, it would be helpful to have a description of how those responsibilities are split in Scotland among the departments, the Finance and Central Services Department and the Office of the Permanent Secretary, which has now

acquired a surrogate Cabinet Office function. Perhaps when Andrew Goudie gives his presentation next week he could account for any differences in how we deliver that agenda. Those differences might be due to scale.

Mr Kerr: That is fair and it will be done.

I am clear about where responsibilities lie. People always compare us with the UK, but we do things in Scotland that we think are right. Although the UK may provide a benchmark against which we can measure ourselves, we do not need to follow or copy others in areas in which we can do things better. In the interests of saving time, that question will be dealt with either by Andrew Goudie's contribution next week or by me in correspondence.

The Convener: It would be helpful if we could also get a response on the health issues that I mentioned earlier. In particular, I am concerned about whether large capital projects are procured as effectively in health as they are in other areas.

Let me raise two other longstanding issues about which the Finance Committee has raised concerns. First, we have talked about the balance between capital expenditure and revenue expenditure. The minister justified the apparently lower percentage of capital expenditure by saying that the figures do not include PPP expenditure. However, PPP expenditure must be paid from future revenue expenditure. Both expert commentators and the committee have said consistently—we certainly made this point last year—that the balance between revenue expenditure and capital expenditure needs to be reconsidered. I hope that that will be considered in the spending review.

Over the past five years, it is arguable that we have had a relatively lax budgetary environment, in which there has been pressure to spend money on capital projects. However, the issue is not just the amount of expenditure, but the rate at which that money has been spent. One cause for concern has been the delay in committing capital for investment in transport, water and other areas. The committee would welcome comments and, indeed, action from the minister on that in the context of the spending review.

Secondly, to use the approach that Jim Mather often adopts, anyone who was running a business would look at the future commitments of that business, which arise from factors such as demographic pressures. I would have thought that, in the spending review, it would be appropriate to extrapolate unknown trends in, for example, health and education expenditure, work out likely forward commitments, and then make informed decisions. The committee would welcome any information that you can share with us on likely forward

commitments and the trend data on which you base your calculations.

Mr Kerr: The committee's time is precious, so I will not spend too long on my answer.

First, I will develop further fiscal rules around how we do our job in Scotland in what I deem the important areas. We developed rules in the past—they were forwarded to the committee—for tracking the efficacy of spend and ensuring that value for money is obtained. I will develop that practice on the capital revenue side and that will come out in the spending review. We will publish the fiscal rules in due course.

Secondly, we are looking forward at budget pressures from future commitments and I will correspond with the committee, if that is appropriate, about how that work is done. However, we know largely what we will do in, for example, education, PPP, health, water and the transport infrastructure plan. For example, we can project what the impact of work-force requirements will be. Such work continues. I am not sure whether information about it can be given to the committee in a tidy wee box, but we will work on it to ensure that the committee gets a response that gives it an understanding of the matter.

Last, when I know what the budget pressures will be and I set aside a contingency fund for dealing with them, everybody criticises me for doing so.

The Convener: I understand that. You can never win in politics. Arthur Midwinter has questions on technical aspects.

Professor Arthur Midwinter (Adviser): First, I have a quick observation on the point that was made about Professor Bradley's comments. The professor attacked the Executive, but the document to which he referred was one of ours. It was a simple background paper on spending on economic development that two members of the Scottish Parliament information centre produced for the Finance Committee. The paper was not intended to be a strategy document.

I have questions for the minister on three issues. First, you described the budget growth as slower, but it is still significant. I have seen references in the media to statements from London that suggest that housing and transport will be priorities for the Westminster Government. However, no consequential figures have yet been attached to those priorities. Have you any information on that? If Whitehall is making the devolved areas of housing and transport its priorities, that would make the picture look good for Scotland compared with where we were a year ago.

Secondly, you referred to targets and the problem of local authority block grants. That area

has been causing me problems during the past few weeks while I have been going round the Parliament's subject committees. For example, the Education Committee wants to look at grant-aided expenditure; it is right to want to do that, because GAE is the biggest funding source for education. When we raised the issue of targets with you last year, part of your answer was that you were developing outcome agreements with local authorities. Could those agreements become the targets? If the targets were about services, they would be much more useful to us than the current ones.

Thirdly, from a straight reading of the new statement of priorities document, am I being unfair in suggesting that it looks as if equality and the opportunity gap are now sub-themes of a major theme rather than being cross-cutting priorities in their own right? They seem to be grouped together as priorities under communities, in the same way that sustainable development is.

Mr Kerr: I will take your questions in reverse order. It is unfair to say that equality and the opportunity gap have been de-prioritised. Our experience of the previous spending review gave us sufficient understanding of the mainstreaming of those areas, so I expect them to be reported as part of each department's core business. They will usually be reported to the committee in the spending review document and through other work that we do, rather than separately. However, they remain mainstreamed activities and ministers continue to work on a cross-cutting basis through the Executive's work to ensure that that is the case. Again, the fact that something is a priority does not mean that we throw out everything else. Closing the opportunity gap and sustainable development remain part of our core business. What we learned from previous processes of getting those areas to work has been mainstreamed; that might be perceived externally as a downgrading but, in my view, it is not.

11:15

Progress on outcome agreements with local authorities has been, to be blunt, extremely slow; I cannot think of a better way of putting it. The way forward is for me to reinvigorate that work. We have done a little focus work, but we have done nothing that would answer Professor Midwinter's point. I am sure that I am partly responsible for the slow progress and I will try to deal with that.

On housing, we know what the chancellor said in his response to the Barker review, but we have not yet read into that anything significant that would reflect back to us. However, we continue to keep in contact on that as much as we can.

I take Professor Midwinter's point that slow growth is still significant growth. Scotland's budget

has grown dramatically.

The Convener: I thank the minister and his colleagues for their evidence. After we have dealt with our expert witnesses, we will take evidence again from the minister at the end of May. Therefore, we will be able to come back to many issues.

School Education (Ministerial Powers and Independent Schools) (Scotland) Bill: Financial Memorandum

11:18

The Convener: Agenda item 2 is further consideration of the financial memorandum on the School Education (Ministerial Powers and Independent Schools) (Scotland) Bill. With us from the Executive are Rachel Edgar, the bill team leader, Isla Jack, a bill team member, and Donna Bell, the education and finance team leader. Do you wish to make an opening statement?

Rachel Edgar (Scottish Executive Education Department): No. We are happy just to answer questions.

The Convener: I invite questions from members.

Fergus Ewing: I will step willingly into the breach. I believe that in the bill's financial memorandum and explanatory notes, there is a statement that the Convention of Scottish Local Authorities—or at least the local authorities that expressed their views—does not agree that the powers that the bill would confer are necessary. Do you want to comment on that?

Rachel Edgar: COSLA and a majority of local authorities expressed that view in response to the consultation. Your question on that might be better directed to the minister.

Fergus Ewing: Can you share the line of argument with us?

Rachel Edgar: The bill seeks to fill an identified gap in the legislation. There is a duty on ministers to secure improvement in all Scottish schools and a gap has been identified whereby there is no specific power available to ministers to ensure that an education authority—or grant-aided school—acts on recommendations that Her Majesty's Inspectorate of Education makes in relation either to the authority or to schools.

Fergus Ewing: Perhaps the question is for the lead committee or ministers to answer, but our job is to consider the bill's financial implications. If a body such as COSLA says, as it has done, that a major part of the bill is unnecessary, it is legitimate for us to consider whether, if that view is correct, we are wasting the total cost of the bill, no matter how small, not to mention parliamentary time. If you could give us a little more of a glimmering of ministers' line of argument, that would be helpful, because that was not explained in the documents that I read and I thought that it was a serious point to raise. However, I would understand if you feel

that it is a policy matter on which you cannot comment.

Rachel Edgar: Perhaps I can offer clarity about what the Minister for Education and Young People has said on the point. He has made it clear that he believes that although the powers available to ministers will be used rarely, it is necessary to have them in case they are needed.

Jeremy Purvis: The witnesses might have read the *Official Report* of our questioning of Her Majesty's Inspectorate of Education, in which I raised a point about the standards of education authorities rather than individual schools. Although ministers' using the powers to require action might be a rare occurrence, it is likely to be an extremely serious occurrence and local authorities might seek to go down a legal path to defend either their record or their practices. Has that possibility, which might be a burden on the public purse, been considered?

Rachel Edgar: Yes. We considered carefully the responses that we received to the consultation. A number of authorities raised a concern that taking the action that would be required of them might have financial implications. However, in the vast majority of cases, authorities implement HMIE recommendations without access to additional resources. A considerable amount of money is made available to authorities to provide education in their area. We took the view that that existing funding would be adequate for authorities to do what they were asked.

Jeremy Purvis: There are examples elsewhere in the UK, in both education and health, whereby if there is a consistent failing, hit squads are sent in or other emergency measures are taken—there have certainly been examples of that in the health service in Scotland. Such measures might not be a direct consequence of the bill, but it might be for the minister to decide to take them. From my reading of the bill, it seems that the measures that could be taken include sending hit squads or management into education authorities or schools. That might happen if there was consistent failing and it would represent a considerable cost.

Rachel Edgar: It might be worth clarifying that, in contrast with the English situation, in Scotland the action rests with the authority. There is no question of the running of schools or authorities being taken over by ministers; the power will allow ministers to require the authority to take specific action.

Jeremy Purvis: Is there anything in the directions that ministers would give that would preclude their having the power to instruct authorities to carry out work or to support the management of the authority, which could involve placing officers at the centre of an education

authority with a direct role or seconding other staff to the authority? I could not see anything in the bill that would prevent that from being part of the ministerial direction.

Rachel Edgar: At present, authorities sometimes draw in mentors or secondees from other areas to help them implement recommendations of HMIE reports.

Jeremy Purvis: It seems odd that you think that if the extent of a problem was such that an authority received a ministerial direction, it would be unlikely that the Executive would send in staff to support it. I believe that it would be extremely likely. If there had been consistent failings in an education authority, I would be surprised if the minister said, "You've given me no feeling at all that you're going to be able to improve, but here's a further direction, which we may well review in a few months' time." The minister would say, "Your management process has to change. Either we will put in new managers or we will have close reporting with the centre." Such action could have considerable cost, but it is not mentioned in the financial memorandum.

Rachel Edgar: I want to be clear about this. The policy intention is that the local authority would be required to take the action; the minister would not be placing somebody within the authority.

Jeremy Purvis: Indeed, but nothing in the bill would prevent that from happening and it would be likely to happen, given existing practice and given the severity of a situation that would cause the minister to implement a direction. However, there is no consideration of it as an option. Given some of the submissions that you have received and given that we are discussing the financial implications, it would have been appropriate for you to consider it. There would be major implications if such action were taken.

Rachel Edgar: In reaching a conclusion about not including implementation costs in the financial memorandum, we also considered timescales. Given the timescale of HMIE reports, we did not consider that an authority would be required to take action quickly or to shift resources rapidly from another area. HMIE generally conducts a follow-through inspection one or two years after the initial report and recommendations. In that time, the authority would be able to plan its budgets accordingly in order to meet the recommendations.

Jeremy Purvis: That is interesting, because it is slightly at odds with the response that I received from the inspectorate. I gave the example that in the Borders case there was a lot more regular active contact with the inspectorate, rather than just the normal cycle of contact. The HMIE witness told me that given the new regime that is in

place—there is a much more regular quality contract—there would not be the same period between reviews. Therefore, the likelihood is that if action was going to be taken in a serious situation—I said at the beginning that the powers would be used extremely rarely, when there had been maladministration or severe mismanagement—the timescale would be a lot more dramatic. I do not think that the minister would issue a direction and then say, "I'll come back in two years."

Rachel Edgar: I referred to the formal follow-through because the powers would be triggered after it had taken place. I agree absolutely that the model of proportionate follow-through inspections means that HMIE has much more regular contact with authorities, as do officials from the Executive. We would expect to have regular meetings with the authority in the period between publication of the initial report and the follow-through inspection. Nonetheless, HMIE has to leave a reasonable period of time for the authority to take action before it formally inspects again. That is the timescale to which I referred.

Jeremy Purvis: Thank you.

Dr Murray: On the issue that Jeremy Purvis was pursuing, could it not be argued that authorities are funded by the Executive to undertake certain functions and that, if they fail to do so, there is no reason why the Executive should give them more money to enable them to do the things for which they are being paid anyway? That might be part of the argument for why the costs of the action are not included in the financial memorandum; authorities are expected to fulfil the functions anyway. We have stressed that the Executive does not expect to use the powers often. How have you assessed the costs of ministers' taking action? On what basis have you calculated those costs? How often would that action be taken—once a year, twice a year or once in every five years?

Rachel Edgar: In the response to the consultation, several authorities and respondents raised issues about administrative costs, so we thought that it might be useful if we did our best to try to calculate those costs. We calculated them on a per-use basis, because it was difficult to speculate about how often the power might be used in a particular year. To satisfy ourselves that there would be no need for extra resources as a result of a knock-on effect on the HMIE budget, we assumed that the power would be used at most once per year in a school and once per year in an authority.

The Convener: Thank you.

Breastfeeding etc (Scotland) Bill: Financial Memorandum

11:31

The Convener: Item 3 is consideration of the Breastfeeding etc (Scotland) Bill, which is a member's bill and was introduced on 16 December. I welcome Elaine Smith, who will answer questions as opposed to asking them—that will be an unusual experience. Members have a copy of Elaine Smith's submission and of submissions from the Equal Opportunities Commission, the Association of Chief Police Officers in Scotland, the Federation of Small Businesses and the women and children's unit of the Scottish Executive Health Department. I invite Elaine Smith to make an opening statement.

Elaine Smith (Coatbridge and Chryston) (Lab): Thank you. I have not given evidence to a committee before, so I am not sure about the protocol, but I presume that I should declare any interests in relation to the bill. I have had assistance from Govan Law Centre and the breastfeeding steering group, and Unison has provided money for a research project, which is being carried out by Kay Sillars. I take the opportunity to thank everyone else who has helped the bill to reach this stage.

Consultation began in 2002 around the possibility of establishing legal measures to protect the rights of mothers when they breastfeed their babies in public. Such measures would in effect end the practice of segregating or impeding mothers while they breastfeed in public, which can prevent them from accessing public services. For example, in one case in Edinburgh, a woman was put off a bus. That seems a pretty absurd and unsustainable approach in 21st century Scotland.

I have attempted to consult as widely as possible on the merits of the bill. I carried out a consultation exercise in August 2002, which sought views from, among others, local health care providers, local authorities, trade unions, elected representatives and representatives of the retail and leisure industries. Members might have read the analysis of consultation responses that the Scottish Parliament information centre kindly collated.

The associated costs of the proposed measures have not featured prominently in the consultation process. The limited research that I and my staff have carried out, for example by asking parliamentary questions, leads me to conclude that the bill will not require extensive public expenditure. I am satisfied that the requirements for the implementation of the bill could adequately be met through existing budgets and that

additional public expenditure would remain a discretionary matter for the Scottish Executive.

Of course, additional funding for the promotion of breastfeeding would be gratefully received and I would welcome investment from the Executive in that area. Research appears to indicate that the Executive would be spending to save, because an increase in breastfeeding would have a positive impact on children's health, which would lead to savings for the public purse in the longer term. Given the low breastfeeding rates in more deprived communities, the bill could be regarded as a necessary tool in tackling the social exclusion and poor health that are linked to poverty and low incomes.

I am not a financial expert, but I am happy to try to answer questions that the committee might have.

The Convener: Obviously, the committee is concerned with financial issues, rather than with policy issues, which will be dealt with by a different committee.

Fergus Ewing: I congratulate Elaine Smith on the huge amount of work that she has done. In the written submission that she has provided, she identifies research that shows that successful promotion of breastfeeding can produce significant savings for the national health service. She goes on to state:

"potential savings for the NHS in Scotland following a change in breastfeeding rates have been estimated at £3.82 million annually."

Can she give us a breakdown of where those savings would come from? Her written submission refers to research that has been undertaken by M Broadfoot, entitled "The Economic Consequences of Breastfeeding for less than 3 months". I was intrigued by the scale of the savings. I think that I understand where some of them might derive from, but I would be interested to hear Elaine Smith's views on the matter.

Elaine Smith: I thank Fergus Ewing for his kind words.

The figure was cited by the national breastfeeding adviser. When I looked into the background of it, I found that it comes from a paper entitled "The Economic Consequences of Breastfeeding for less than 3 months" by Mary Broadfoot, which details some of the hard facts and figures. I would be happy to circulate that paper to the committee. Interestingly, the figure relates only to the incidence of bottle-baby gastroenteritis; therefore, the savings could be much greater. The problem is in trying to find research into the matter. That is the only piece of research that I have been able to track down that puts a specific figure on what the experts think could be saved.

That is what I meant in my opening statement by spending to save. The benefit of breastfeeding is what it can prevent in the future. Looking beyond gastroenteritis, I am sure that much more than that amount of money could be saved. We have a big problem with childhood obesity, for example, and it would be interesting to find out whether any research is being undertaken into breastfeeding in that regard. The positive impact that breastfeeding can have on mothers' health is also something on which I do not have specific figures. I cite the figure of £3.82 million because there is some research to back it up.

Fergus Ewing: I am interested to hear that the figure of nearly £4 million a year relates simply to one possible way in which breastfeeding can improve health. You argue that breastfeeding can have all sorts of other benefits for both the baby and the mother, but especially for the baby and its development. I imagine that those benefits are extremely difficult to quantify because they are not measurable or attributable to that one aspect of bringing up a baby. Would you welcome the Executive's taking an interest in the matter and applying its firepower to the task of quantifying other benefits? When we considered Michael Matheson's member's bill, we did not have the benefit of the Executive's thoughts on the financial consequences of the bill. Similarly for this bill, we do not have the benefit of the Executive's financial thoughts, as there is no financial memorandum from the Executive.

I and my colleagues on the committee feel that it would be extremely helpful if the Executive could offer assistance and constructive criticism at an early stage when a member introduces a bill. There could be all sorts of other benefits of breastfeeding that the Executive might be able to quantify through the Health Department—the impact of breastfeeding on maternity services and public health, for example. Would you welcome such a contribution from the Executive, setting out its views on the costs and potential savings? Would you also welcome that input being given before the bill goes to the lead committee, so that you would have the benefit of the Executive's input early on in the parliamentary process rather than towards the end of the process?

Elaine Smith: Any member who is leading a bill through the Parliament would welcome such input from the Executive because members have limited resources, as you will be aware. I have received assistance from the Govan Law Centre, the breastfeeding steering group and my own researcher, Catherine Murphy. However, it is difficult to get the information as a back-bench member. Therefore, I would welcome such assistance. Some research can take a number of years to complete. The Dundee study has been going on for a number of years and has been

following children from birth to find out how breastfeeding can impact on their health in adult life. Such studies take time. I would welcome anything from the Executive that helped to show the benefits of breastfeeding.

It is difficult to make arguments about savings over the longer term—they will not be seen immediately. I was approaching the financial memorandum from the perspective of whether or not the bill itself would have particular implications for the public purse.

Dr Murray: Some of the submissions on the financial consequences of the bill suggest that there could be issues with the cost of training. I was a bit surprised by that, as I could not see what additional training would be needed in relation to the bill, as opposed to the additional training that might be required to promote breastfeeding. I wonder whether you agree with that point. The Equal Opportunities Commission raised a further issue about the possible costs to employers of making areas suitable for the feeding of children. Do you have any comments on that?

You have done research around the issue of women not being permitted to breastfeed. I am aware that your bill also covers other forms of feeding, but I presume that most objections have been to breastfeeding. Do you have any indications from your research of how often the provisions of your bill might have to be implemented?

Elaine Smith: Those remarks are very helpful—thank you very much.

The fact that training might be required has been highlighted, but training because of the bill would not necessarily have to be intensive. If the Parliament passes the bill, then it might simply be a matter of providing induction training to raise awareness that the legislation exists.

I have been looking into how the recent campaign concerning mobile phones is being carried out and it seems that awareness about that change in the law is being raised through the normal channels of advertising and promotion. Training could be more intensive should employers want the bill's measures to be part of an equal opportunities package. Rather than simply point out that the legislation exists and making staff aware of it, the training could help to raise awareness about the benefits of breastfeeding.

I turn to the Equal Opportunities Commission's submission. The aim of the bill is to try to make breastfeeding in public more visible. That would have an impact on women as they make choices about feeding. If areas for breastfeeding were to be provided, that could equate to telling women, "I'm afraid you can't sit here to breast feed. We

have an area," and so the segregation might continue. The bill does not necessitate the provision of such areas. Of course, if employers or those in charge of public places wanted to provide them, to give women the choice, that would be fine.

There are examples in chemists' shops and so on of certain areas being provided, but often they are next to baby-changing areas, which I would not say are particularly suitable. Recently I spoke on breastfeeding at a meeting of Ayrshire and Arran NHS Board, and I remember laughing about the fact that a notice had been put up in the town of Ayr saying "Ladies and Nursing Mothers". I wondered what that was all about, since the place was a public toilet. The sign is still there now, unless the council has taken it down since I raised the issue. People might want to provide areas for breastfeeding, and mothers might choose to use them, but the bill in no way necessitates the provision of such areas.

Could you repeat the last part of your question?

11:45

Dr Murray: Does the research that you have done on women being prevented from breastfeeding in public indicate how often the bill might need to be used? The police say that the costs for them appear to be minimal.

Elaine Smith: I do not expect there to be a large number of prosecutions.

Dr Murray: So the bill would be a preventive measure.

Elaine Smith: That is how I see it. I mentioned the instance that was highlighted in the Parliament of a woman being put off a bus in Edinburgh. There have been examples of people being asked to leave dentists' waiting rooms because of breastfeeding. The bill is not just about cafes and restaurants; it is also about accessing public services. That is an important point.

The bill is also about changing culture. If it is passed, that will send a message. It will say that we know about the health benefits of breastfeeding and, as a society, we want to support the feeding of children however people choose to do that. As Elaine Murray says, breastfeeding is generally the form of feeding that is frowned on. Such disapproval is not always as overt as people saying that mothers must move or leave; there are also looks, glances and negative attitudes. It is difficult to legislate for those, but the bill aims to make breastfeeding much more publicly acceptable and visible. I hope that there will not need to be prosecutions, but the bill will provide protection for mothers. Many mothers cite embarrassment as a reason for either giving up

breastfeeding or not starting at all. If we can create a culture that is breastfeeding friendly—which the bill will help to do—we can break down such barriers.

Jim Mather: I add my congratulations to Elaine Smith. The bill is a bit too late for my family and me, but I am grateful that it has been introduced.

I am interested in the fact that researchers at Highlands and Islands health research institute have been commissioned to carry out a three-year study that will evaluate the clinical effectiveness and cost-effectiveness of breastfeeding. I link that to any awareness-raising campaign that the Scottish Executive might wish to initiate. I have the feeling that breastfeeding may have implications beyond its direct clinical effectiveness and cost-effectiveness. It has implications for health, long-term nutritional awareness, education and, one could argue, enterprise. By allowing women to have better continuity at work, breastfeeding could trigger better nursery provision. Beyond that, the reinforcement of confidence and modern Scottish values are important. Are there plans to widen the remit of the Highlands and Islands health research institute's study and to trigger the Executive, so that we get something much bigger than the research that was originally commissioned?

The Convener: I am not sure that that question is within the scope of the bill, but never mind.

Elaine Smith: I read about the study with interest and cited it in my submission. The media release announcing it states:

"Breastfeeding reduces childhood gastro-intestinal, respiratory, urine and ear infections",

and refers to other health benefits. It continues:

"breastfeeding rates in Scotland are amongst the lowest in Europe and increasing them could produce significant savings for the NHS."

I note Jim Mather's comment about the economics of breastfeeding. In the policy memorandum that I produced for the bill, I referred to a bill that has been introduced in the state of Washington, which affirms:

"Breastfeeding improves maternal health and contributes economic benefits to the family, health care system, and workplace".

It is interesting that that has been noted there.

The bill, like disability and seat-belt legislation, is about changing attitudes and culture. If it helped to focus more spending, that would be welcome. I am saying only that the bill does not place any additional strain on the public purse.

The Convener: I want to target the provisions in section 4 relating to the promotion of breastfeeding, as that might be the area in which the bill triggers a requirement for additional expenditure.

Presumably, as a long-term advocate of breastfeeding, you are not entirely happy that neither the Executive nor the health service is spending enough money on the promotion of breastfeeding. You seem to be saying that the bill will not of itself generate a requirement for increased spending, but you would welcome increased spending in that area. Is that a fair summary of your position?

Elaine Smith: Yes, that is an extremely fair summary. When questions are asked of the Executive, it is quite difficult to get information on funding for breastfeeding. The answer tends to be that it is up to individual NHS boards. Lots of different funding pots could be used for the promotion of breastfeeding.

If we were to look at individual NHS boards, we would see that there is no standard; the position varies across the country. Indeed, although most of the boards have a strategy, I think that there is one board that does not yet have one in place. If the Executive wants to meet its 50 per cent target by 2005, it would be helpful if it were to increase its spending on the promotion of breastfeeding, but, as the convener said, the bill puts no requirement on the Executive to do so.

I note that NHS Health Scotland—which used to be the Health Education Board for Scotland—plans to run a promotional advertising-type campaign for breastfeeding awareness week this year. It has also had successful campaigns in the past. If the bill is passed by the Parliament, I believe that awareness of the existence of the new legislation could be raised as part of that kind of campaign.

The Convener: As there are no further questions from members, I thank Elaine Smith for coming before the committee. We will produce our report on the financial implications of the bill, which will go to the lead committee. Our report will be made public and you will see it at the same time as the committee does.

Elaine Smith: Thank you.

Fergus Ewing: Do we want to take up the point about inviting the Executive to express its view on the financial implications of the bill? Surely that would help Elaine Smith. Following Michael Matheson's evidence, I thought that we had formed a view that it is desirable for the Scottish Executive to provide its view on the financial consequences of any member's bill before we consider the matter. If we had had that information today, we could have put the Executive's views to Elaine Smith. Could we take up the matter again with the Executive? If so, could we seek a clear statement on whether the Executive agrees in principle that that is something that it should do in future?

The Convener: The information that we received from the Executive is the information that it provided to us. As Fergus Ewing described, following our consideration of Michael Matheson's bill, we agreed that we were of the view that it would be better for us to get a report from the Executive on members' bills. We also agreed that we would consider the matter in the context of our general approach to financial memoranda. A paper is under preparation, which will draw together a number of issues including that of members' bills. I propose that we deal with the matter in the way that we decided previously.

John Swinburne: Briefly, I want to congratulate Elaine Smith on the introduction of her bill. I note from Malcolm Chisholm's response of 26 January to a question from Elaine Smith that the Executive will have spent around £954,000 over five years on the promotion of breastfeeding—it proposes to spend £230,000 this year. When the bill's provisions are implemented, the Executive could make a saving on those amounts. If breastfeeding becomes an accepted fact, the Executive will no longer have to spend those amounts. That could be a benefit of the bill.

Elaine Smith: We would always wish to see the promotion of breastfeeding, but if health savings can be made because more women are breastfeeding, that will be helpful for the whole of society.

The Convener: Thank you.

Scottish Water

11:54

The Convener: The fourth item of business is to consider correspondence from the Executive on borrowing limits available to Scottish Water. As members know, we published our report on Scottish Water last Friday and the letter is in response to an issue raised and correspondence sent while we were dealing with the report. I make it clear that we will not raise again all the issues that were dealt with in the report. The committee has published its report, so members should confine their comments to the issue of how we handle the correspondence that we have received. I will not tolerate a re-opening of the general issues in the report. Fergus Ewing has asked for this matter to be raised.

Fergus Ewing: My request is to do with not so much re-opening the report as pursuing the recommendation contained in paragraph 95 of the report, which relates to transparency in the provision of information.

We first asked the Executive for its response to the Cuthberts' analysis on 3 December 2003. We received evidence from the Executive and then we wrote again for further information, which we received. However, until we were in the final stages of compiling our report in private, we did not receive the news from the Executive that, back in April 2002, before the creation of Scottish Water, there was an additional £200 million borrowing provision. It is hardly transparent if we do not receive key information during the compilation of a report that bears expressly on the prudent level of borrowing until the final stages of that report.

In consequence, we wrote to the Executive on 1 April 2004 to ask for documentary evidence of that £200 million borrowing provision. In response, we received a letter from Allan Wilson dated 19 April, from which I will quote. He states:

"Ministers therefore ensured that £200 million in addition to the levels suggested ... would be available to Scottish Water if required over the four year period. This additional borrowing would have been within the limits approved by Parliament and already in the public domain, so formal notification was not made to any of the parties involved."

As you will note from the letter of 1 April, convener, we asked for documentary evidence and whether Scottish Water and the water industry commissioner were made aware of that additional provision. However, all that we have received in response is no documentary evidence and no direct response as to whether Scottish Water or the WIC knew about that provision.

A number of serious questions arise. Were Scottish Water and/or the WIC made aware of the

additional provision? If so, did that happen sometime around April 2002? The Executive has still not said. If neither Scottish Water nor the WIC knew about the provision, what conceivable purpose could it have?

When Andrew Scott gave evidence on 3 February, he was asked to state the Executive's position on borrowing, so why did he not mention that specific figure? He mentioned various other figures, and I have reread the *Official Report* of that meeting, but no reference at all was made to the provision. Why did we not hear about it, given that it was absolutely key to the inquiry?

My second-last point is that we have had absolutely no documentary evidence that that £200 million borrowing provision ever existed. It is a bit like me going into a bank and asking a bank clerk for a loan. The bank clerk might say, "Yes. How much would you like, Mr Ewing?" to which I might respond, "Two hundred million pounds, please." The clerk might then say, "Well, that should be all right. How would you like it?" I might say, "In cash please. Do I need to sign anything?" and the clerk might reply, "Oh no. That won't be necessary."

12:00

My point is that we have had no paperwork to show that that £200 million borrowing provision ever existed. If there is to be any transparency around the Scottish Parliament, we have to see that paperwork. We do not know, even now, whether any letters were exchanged between the Executive and Scottish Water or the Executive and the WIC. With regard to the lack of transparency that the committee acknowledged in its report, we can say that, at the very least, the Executive has failed to disclose relevant information to a committee of the Scottish Parliament that is carrying out what we would all agree was a highly complex piece of work in which facts are key. In addition, there are serious questions about whether the £200 million borrowing provision ever existed.

Finally, I have heard from the chief executive of the Civil Engineers Contractors Association Scotland that, in 2003-04, there has been a massive underinvestment in the water sector—£167 million of £320 million was spent. That indicates that, while we have the confirmed outturn figures for 2002-03 at paragraph 94 of our report, the actual borrowing outturn figures are likely to be far lower than those in our report, indicating persistent, continuing and possibly endemic underinvestment. In our report, we recognised that we did not have the necessary evidence at that time. I am not seeking to revisit the majority of the report but it seems to me that the ministers must explain as a matter of urgency why there continues to be such major underinvestment.

Of course, some of us—Jim Mather, myself and, I think, John Swinburne—believe that that underinvestment was partly due to the tight borrowing limits that were set and of which we were aware. It appears possible that the additional £200 million was never communicated to Scottish Water or the WIC. Certainly, neither of them told us about it when they came before us to give evidence about this matter.

The Convener: There is a continuing concern, which is expressed in the report, about a lack of transparency. We would anticipate that the Executive would give us a full response to the report that the committee agreed. Clearly, it will be up to the committee to decide what to do once the response is received. The points that you make about the lack of transparency with regard to the £200 million are pertinent. We could write to the Executive, in the context of its full response, to ask it to address the specific issues of transparency that have been raised. That would allow us to get a comprehensive response to the issues that have been raised in the report.

Fergus Ewing: I am grateful for that measured response. Given that we have already asked for documentary evidence and have not been given it, can we incorporate in the letter a request to see the documents surrounding the issue of the £200 million and the correspondence—if any—that passed between the Executive and Scottish Water and the Executive and the WIC? It is only fair for us to ask to see such background papers, given the absolute lack of transparency on this vital matter. Obviously, if the committee does not agree to ask for that information, it is open to MSPs to do so, but it would be a recognition of the importance that we all place on openness and transparency in the Scottish Parliament if the committee were to ask for and secure that information, which should have been provided last December.

The Convener: If you read the letters in my name dated 1 April and, particularly, 24 March to the Executive, you will see that we were asking for those specific bits of information. It is, of course, open to us to repeat that request in the context of getting an overall response from the Executive to the committee's report. It is important to ensure that we get a response from the Executive to the issues that we raised in our report and to deal with that response in the appropriate way.

Fergus Ewing: That is important. However, the letter that was sent by you on 1 April states that

“the Committee would like to know whether there was Ministerial correspondence between the Executive and Scottish Water ... on this matter and whether the Water Industry Commissioner was made aware of the additional borrowing provision.”

The letter does not ask to see the documents. Of course, the questions in the letter were

unanswered because the Executive did not say whether the WIC was made aware of that additional borrowing provision. All that it said was that there was “no formal notification”. However, that suggests that there could have been informal notification. If there was, why did neither Scottish Water nor the WIC tell us? If the officials knew that there was a £200 million borrowing provision lurking around, why did they keep that secret?

We have to get to the bottom of this matter. Any of us, as MSPs, can ask to see the information, but I sincerely hope that we can maintain a united front and try to get to the truth of the matter as a committee.

The Convener: Again, if you read the letter that was sent on 24 March, you will see that it specifically asks for a written record of the additional provision to be made available to the committee. We could repeat that specific request.

Does the committee agree to draft the letter in the manner that we have discussed?

Members indicated agreement.

Item in Private

12:05

The Convener: Item 5 concerns the suggestion that, at our next meeting, we deal in private with a paper on the appointment of an adviser for the second stage of our cross-cutting review on economic development. I propose that we do so, as the decision will involve the discussion of individuals. Do members agree?

Members *indicated agreement.*

The Convener: I apologise to the members of the public who have just entered the room, but they have come in at the end of our meeting—we have finished our business.

Meeting closed at 12:06.

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