

# **FINANCE COMMITTEE**

Tuesday 15 June 2004  
(*Morning*)

Session 2

£5.00

© Parliamentary copyright. Scottish Parliamentary Corporate Body 2004.

Applications for reproduction should be made in writing to the Licensing Division,  
Her Majesty's Stationery Office, St Clements House, 2-16 Colegate, Norwich NR3 1BQ  
Fax 01603 723000, which is administering the copyright on behalf of the Scottish Parliamentary Corporate  
Body.

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by The  
Stationery Office Ltd.

Her Majesty's Stationery Office is independent of and separate from the company now  
trading as The Stationery Office Ltd, which is responsible for printing and publishing  
Scottish Parliamentary Corporate Body publications.

---

# CONTENTS

Tuesday 15 June 2004

Col.

|  |      |
|--|------|
| ITEMS IN PRIVATE.....                  | 1511 |
| BUDGET PROCESS 2005-06.....            | 1512 |
| CROSS-CUTTING EXPENDITURE REVIEW ..... | 1515 |

---

## FINANCE COMMITTEE

† 19<sup>th</sup> 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)

### CLERK TO THE COMMITTEE

Susan Duffy

### SENIOR ASSISTANT CLERK

Terry Shevlin

### ASSISTANT CLERK

Emma Berry

### LOCATION

Committee Room 2

† 18<sup>th</sup> Meeting 2004, Session 2—held in private.

## Scottish Parliament

### Finance Committee

*Tuesday 15 June 2004*

*(Morning)*

[THE CONVENER *opened the meeting at 10:01*]

### Items in Private

**The Convener (Des McNulty):** Welcome to the Finance Committee's 19<sup>th</sup> meeting in 2004. I remind everyone to turn off pagers and mobile phones. We have not received any apologies, although Ted Brocklebank has informed me that he has to leave at about 11 o'clock.

The first item on the agenda is to decide whether to consider item 4 in private. I propose that item 4 be taken in private because our discussions will inevitably touch on our draft report on the budget process. I also propose that we consider the draft report on the Prohibition of Smoking in Regulated Areas (Scotland) Bill in private at our next meeting. Are members content to discuss those items in private?

**Members** *indicated agreement.*

## Budget Process 2005-06

10:02

**The Convener:** The second item on the agenda is consideration of an approach paper from the clerk on stage 2 of the budget process for 2005-06. Members will see that we need to agree whether to have a meeting, possibly in November, outwith Edinburgh. We also need to agree on a location and whether the meeting should have the same format as previous external meetings have had—members will recall our meeting in Motherwell. Finally, we need to discuss whether we agree with the proposal for subject committee reports and to think about potential witnesses, which we can do either now or later.

**Dr Elaine Murray (Dumfries) (Lab):** I found last year's external meeting to be useful, so another would be worth our while. The format was informative.

**The Convener:** Yes—it worked well.

**Dr Murray:** We have discussed briefly our going to Fife. MSPs who represent Fife have confirmed to me that there has never been a parliamentary committee meeting in Fife. Would it be possible to have the meeting in Fife?

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** I agree with Elaine Murray that last year's meeting in Motherwell was valuable. It was a good day and we received good evidence. If we are to meet elsewhere, Fife would be a useful place to go. For Wendy Alexander, we should perhaps choose a place that has a railway station—Kirkcaldy would be a good place. That is just a thought.

**John Swinburne (Central Scotland) (SSCUP):** We should hold the meeting in the most deprived area that we can find, for example Clydebank.

**Mr Brocklebank:** The statistics show that Kirkcaldy is the third-poorest town in the United Kingdom at the moment, even though it is the birthplace of our Chancellor of the Exchequer.

**The Convener:** It beats Clydebank by one place.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** Am I right to say that we do not have a meeting scheduled for a fortnight hence?

**The Convener:** We do not, at present.

**Fergus Ewing:** Should not we have our discussions in a committee meeting during a parliamentary term, which is when we are supposed to meet, rather than have an away day?

**The Convener:** We are not talking about the away day; we are talking about the budget process and meeting outside Edinburgh.

**Fergus Ewing:** Would that meeting be part of the committee's work?

**The Convener:** Yes.

**Fergus Ewing:** I had planned to mention the fact that I do not see why we should have an away day during the summer recess when we might miss a committee meeting during the parliamentary term. That is wrong and will lead to extra expense. Not all members will be able to go to the away day. I want to place that point on record.

**The Convener:** We have already made a decision about that. The present agenda item is about the proposal to meet outside Edinburgh as part of the budget process. Such meetings have been welcomed and have been seen positively in the parts of Scotland where we have been. Elaine Murray suggested that the format that we adopted for the meeting in Motherwell was worth while—we will ask the clerks to consider that. The suggestion is that Fife would be an appropriate place to visit. No committee has held a meeting in Fife, which is a good reason to go there. Rather than commit to holding the meeting in Kirkcaldy, I suggest that the clerks investigate locations in Fife with Fife Council in order to find a suitable venue. Parliament has to identify places that have adequate facilities for committee meetings. The clerk will produce a report on possible locations in Fife, after which we will firm up our decision.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** I was unable to attend part of last year's external meeting; I cannot remember whether it was an all-day meeting.

The budget process will be on the agenda for the meeting, but we will be in the middle of taking evidence as part of our economic development review, if we agree to continue the review. If we are to have an external meeting, it might be appropriate for the committee to consider local projects or circumstances, even if that does not involve all the committee members. Kirkcaldy would be fine for that, given its place in the index that was mentioned earlier. We could consider the role of the public sector while we are there.

**The Convener:** The issue could be considered in one of the workshops.

I assume that members are content with the proposal to give the subject committees a little more time to produce their reports on the budget. The approach paper contains an outline timetable for that.

We have given a reasonable steer to the clerks, who will produce a paper about the proposed meeting, including a location.

**Ms Wendy Alexander (Paisley North) (Lab):** The options in the approach paper for the date of the meeting are Monday 15 November and Tuesday 16 November. I recall that last year we met on a Monday and did not meet on the Tuesday. For diary planning, it will be preferable if we stick to a Tuesday, which is the normal day for committee meetings. By all means, we should meet for the whole day, but a decision on the date is vital.

**The Convener:** The problem is that at least one committee member is a member of another committee.

**Ms Alexander:** We can meet on the Monday, in that case. If we are to maximise attendance, it would be valuable to know as soon as possible which full day will have to be blocked out in our diaries.

**Kate Maclean (Dundee West) (Lab):** As far as I am aware, if we are to have a full committee meeting with an *Official Report*, it might be a problem to take official report staff away from Edinburgh on a Tuesday, when they are needed for other committee meetings. The same point applies to committee clerks who work with two committees.

**Ms Alexander:** Fine—let us agree to meet on the Monday. It would be helpful if the convener circulated a decision.

**The Convener:** We will get a clear date and work out the logistics.

That completes the agenda item.

**Jim Mather (Highlands and Islands) (SNP):** Are we not going to talk about potential witnesses?

**The Convener:** Sorry, I missed that out. Do you have any suggestions?

**Jim Mather:** I would be keen for Donald MacRae to come back. That would give us some continuity.

**The Convener:** I do not oppose that suggestion; we will take it on board. I ask members to e-mail the clerks with any further suggestions for witnesses. Do members agree?

**Members indicated agreement.**

**The Convener:** It would be helpful if we could get e-mails in by Thursday lunchtime.

## Cross-cutting Expenditure Review

10:10

**The Convener:** Item 3 is consideration of an approach paper for phase 2 of our cross-cutting expenditure review on economic development. Committee members have a paper that has been prepared by the clerk and Peter Wood, who has been appointed as our adviser. As we agreed previously, Peter Wood has fleshed out the remit of our inquiry and has suggested specific points that we may want to cover. He has also suggested a list of organisations that we could ask to provide written evidence. The paper also includes a potential timetable for the inquiry. As the committee can see, the intention is that a general call for evidence be issued on our website and that letters be issued prior to the summer recess. When we come back in September, we can consider the written evidence that we have received and decide whom we want to invite to give oral evidence.

I invite comments from members on the paper. Are members broadly content with it? There seems to be general assent to that.

**Fergus Ewing:** If you are asking whether we are broadly content, I would have to say that I am not. I reiterate that the inquiry will not be fruitful use of the committee's time. We should consider instead, for example, an inquiry into the long-term implications of public-private partnership financing and the burden that it is likely to place on future Governments, as exemplified by the analysis that was fairly widely reported in the Sunday papers. That would be a much more practical topic for an inquiry. You ask whether we are all content, so it would be remiss of me not to point out that we are going down the wrong road with the inquiry. I have made one suggestion, but there could be many other stronger candidates for the committee's valuable time.

**The Convener:** We have already agreed that we will undertake the second phase of the inquiry, so we do not need to revisit that issue. I also point out that the previous Finance Committee conducted an extensive survey of PPPs during a major inquiry.

**Ms Alexander:** I am content with the timetable and with the proposal as to how we proceed. However, we suggested at a previous meeting that having the budget adviser—by whom I mean Peter Wood—deeply involved in every stage of the process would be the only way we would be able, in three oral evidence-taking sessions, to get a grip on an area that covers a budget of more than £4 billion. I am anxious to know whether we have

agreed terms with the budget adviser that would let him attend all the meetings at which the committee deals with the inquiry, so that he and we are singing from the same hymn sheet. Moreover, when we consider written evidence on 14 September and decide on witnesses to give oral evidence, I would want to start with a summary of what issues the budget adviser thinks are emerging, and his first take on the written evidence. It is anticipated that there will be 15 or more written submissions; it would be valuable to have the adviser's summary of what they say.

**The Convener:** Peter Wood will be our committee adviser on the inquiry, but that role is separate from Arthur Midwinter's role as our budget adviser.

On your point about Peter Wood's attendance at meetings, that has been agreed in the process. The intention is that we will get oral submissions in by the beginning of September so that he can sift through them and give us a clear steer at the meeting on 14 September. Therefore, both of your points have been taken care of.

10:15

**Mr Brocklebank:** I agree with the proposal that the various groups to be invited should provide written evidence. I note that the Scottish Urban Regeneration Forum is included, but should not we also make room for written evidence from one or both of the fisheries organisations? Fishing is a key part of the economy of the north of Scotland, so it would be useful to have input from those organisations.

**The Convener:** That is a fair point. It is also probably fair to add agriculture to the list, because one of the issues that Peter Wood identified was operation of the common agricultural policy. It would be appropriate to include the National Farmers Union Scotland.

**Fergus Ewing:** I am not opposed to those ideas at all, but they illustrate the difficulty of the task and the confusion of the remit. If we accept that we need to take evidence from the fishing and agriculture industries, what about the whisky industry, the engineering industry, the biomedical sector, the construction industry or the food industry? Each of those would justify a sectoral analysis, for which the Scottish National Party has been calling for a long time. If, in a cross-cutting expenditure inquiry, we consider particular sectors, we will be accused immediately of neglecting other sectors if we fail to respect their interests. That illustrates the point that those who believe that we should have such an inquiry have not really thought through the inquiry's purpose and its possible outcome.

I know that other members will not welcome those comments, but I can see the difficulties that

are arising. Ted Brocklebank has made a suggestion with which I agree, but as soon as we accept one sector, we open the door for all other sectors. If anyone disagrees with that assertion, I would be interested to know on what intellectual basis they challenge it.

**Jeremy Purvis:** We will receive evidence from Scottish Enterprise, and even the most cursory look at Scottish Enterprise reveals that there are sectoral clusters and that the work in those areas—construction, forestry, food and drink and others—come under its remit. We need to investigate that. Scottish Enterprise also has a relationship with its sector-representative bodies. The general call for evidence would take all that into consideration.

I am happy with the remit, which is a bit sharper than the remit with which we started, but I have a major issue with one of the suggested issues for consideration, which is:

“The balance between spending on activities which benefit mainly rural areas and other activities.”

It would be interesting to know a bit more about what we mean to get out of that. It does not mean anything to me other than that it is slightly alarming; I do not know where it came from or why it is there.

**Mr Brocklebank:** To back up what Jeremy Purvis says, we have organisations that cover many of the sectoral interests, such as Scottish Enterprise, Highlands and Islands Enterprise and the Confederation of British Industry. I am arguing that major social problems, as well as economic and industrial problems, are attached to the fishing industry and that it can therefore be regarded as a special case. I am perfectly happy for the NFUS to represent the rural side, but fishing is vital at the moment and it would be considered remiss of us not to take evidence from the fishing industry if we take evidence from other sectors.

**Fergus Ewing:** I agree that fishing is a special case—the SNP has always argued that—but we are not conducting an inquiry into the fishing industry’s problems, which we have discussed in Parliament and its committees a great deal. The remit of our inquiry is rather different.

The proposition that Scottish Enterprise can be the spokesman for different sectors simply does not hold water. If we want to take evidence from the representative bodies of various sectors, we should do that, but the proposition that Scottish Enterprise will say the same thing as, and speak for, the timber sector, for example, is not robust. Moreover, Scottish Enterprise cannot be expected to speak for the whisky industry, nor will it speak out—this is self-evident—for the engineering sector, which has been vociferous recently in its criticism of public bodies.

I repeat my charge that we are going down the wrong road. I would like a sectoral analysis, but I do not think that the inquiry, with its muddled remit, is the way to go about that.

**The Convener:** I repeat: we have already decided to go down that route, so I see no point in labouring the point further.

**John Swinburne:** Local authorities are among the biggest spenders in the country, yet there is no mention of them in the paper. There are 32 councils that have tremendous budgets; they impact on the economic development of the country more than we can imagine, but we are not even asking them to give us a report, which I find rather strange.

**The Convener:** That is a fair point. Perhaps we should add the Convention of Scottish Local Authorities to the list.

**Jeremy Purvis:** I cannot remember its name, but there is an association of the economic directors of the local authorities. It might be worth inviting evidence from that organisation.

**The Convener:** We would need to go through COSLA, which could refer the matter to its specialists.

**Jeremy Purvis:** For our inquiry into Scottish Water, which touched on all aspects of Scottish life, including the voluntary sector, the old, the young and the business community, we had a fairly limited list of agencies and other parties to whom we wrote specifically to ask for evidence. However, many other people volunteered evidence when they knew that we were carrying out the inquiry, so I do not think that, for this inquiry, we should write an exhaustive list of the 755 organisations that have an interest in economic development in Scotland.

**Jim Mather:** The discussion has triggered in my mind the thought that it might be sensible to widen the scope of the inquiry to include engineering employers, freight associations and everyone whom we possibly can, but to do so in a way that constrains their responses to an extent. We might ask them to reply in a tight format to part of the call for evidence, and to specify what inhibitors and constraints they face in being as competitive as they might be and in achieving the growth that they might achieve.

The other side of the coin is that we could ask contributors to specify what opportunities might allow them to grow faster and to be more competitive with a more benign wind in their sails. That way, we would receive data in a format that made them easy to assimilate. Rather than write difficult prose, it would not be terribly onerous for contributors to the inquiry to produce a checklist of inhibitors and of opportunities.

**The Convener:** I understand the intention behind that suggestion. Perhaps we ought to ask one or two umbrella organisations, such as the Confederation of British Industry, about the best way to co-ordinate the responses of different organisations, including those which Jim Mather mentioned, so that we can get some kind of sectoral analysis, although it may be that the CBI is not the best organisation to co-ordinate responses. I am conscious that we will get a surfeit of information if we try to put too much into the process.

**Ms Alexander:** That is why I am keen on having the advisers close to the inquiry. We have the first piece of work from Peter Wood, which gives us a frame of reference. We are not trying to do the Enterprise and Culture Committee's work, which is to decide how much goes to individual sectors. Our work concerns a much higher-order issue, because we are the only committee in Parliament that is empowered to look across departments to examine how aggregate spend is spread among primary industries, rural development, enterprise agencies, education, higher education and transport. Those are the categories that Peter Wood uses. We are supposed to drill down against his report and ask whether, at the very highest level, the balance between the six primary support categories and the three secondary support categories that he identified is broadly right and commands the assent of the organisations that we are trying to support. If we go 10 levels deeper than Peter Wood, we will not answer the first-order question, which is whether the broad balance is correct at the top level.

I take Jim Mather's point; we should invite Peter Wood to construct a template when soliciting evidence on his report and we should tell contributors that what we are looking for is comment on Peter Wood's report. We already have a list of more than 30 organisations, so it will be easier—in the short time that is available to us—to digest the responses if they all use the same template to respond to the issues that are raised by the report.

As members will recall, we thought about having two stages to the inquiry: to consider at stage 1 whether the broad allocations are right and then to pursue at stage 2 any detailed issues that might be thrown up. If we just have a free for all and let each organisation comment on its hobby-horse, we will never answer the first-order question, which is about what we might want to do at the top level, given what Peter Wood's analysis tells us.

We should, for some of the reasons that Fergus Ewing hinted at, ask Peter Wood to seek evidence much more prescriptively than usual. The inquiry is so wide that we want to give respondents a strong steer; responses should be based on Peter

Wood's report, so that everyone who responds comments on what is driving our inquiry.

**The Convener:** There is some support for that view. However, if we try to do what is suggested, the danger is that we might move beyond what is manageable from Peter Wood's point of view. It has been suggested that we incorporate the fishing and agricultural sectors, as well as local government, because there are issues in respect of those sectors that we want to examine. I suggest that the clerks have a chat with Peter Wood, based on what we have heard this morning, to try to identify a request for specific evidence that can be sent out. I presume that we will get the report back on that, and the evidence itself, on 14 September. At that point, we will have the opportunity to discuss with Peter Wood where we should go for oral evidence. That, of course, is where the committee can really drill down into the process.

**Jim Mather:** I am not trying to turn the inquiry into a plebiscite in which we will get 5 million responses, but I have one further suggestion to make. The Institute of Chartered Accountants of Scotland and the Association of Chartered Certified Accountants represent practitioners who deal with people every day and who see the constraints that they face. It would be good sense to involve those organisations and to drill down at that level to get some feedback. Rather than go to the Institute of Chartered Accountants of Scotland at Haymarket, we could do it by tackling five or six accountants from round the country to get a view from all airts and pairs.

**The Convener:** That is a suggestion that we can consider on 14 September.

**John Swinburne:** One of the main reasons for suggesting that councils be involved is that doing so might allow us to highlight the crass inefficiency that leads to 7 per cent of council tax not being collected. That is an enormous amount of money. If we can highlight the total inadequacy of council tax collection in bringing in those funds, we might be another step down the road to getting rid of the council tax.

**The Convener:** I am not sure that that is an issue for this inquiry.

We have probably mapped the way ahead. Are members content to consult Peter Wood, to add to the list the organisations that we have identified, to put out a tightly specified request for responses and to consider the matter again on 14 September?

**Members indicated agreement.**

10:28

*Meeting continued in private until 12.51.*





Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice at the Document Supply Centre.

No proofs of the *Official Report* can be supplied. Members who want to suggest corrections for the archive edition should mark them clearly in the daily edition, and send it to the Official Report, 375 High Street, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

**Tuesday 22 June 2004**

Members who want reprints of their speeches (within one month of the date of publication) may obtain request forms and further details from the Central Distribution Office, the Document Supply Centre or the Official Report.

#### PRICES AND SUBSCRIPTION RATES

##### DAILY EDITIONS

*Single copies: £5*

*Meetings of the Parliament annual subscriptions: £350.00*

The archive edition of the *Official Report* of meetings of the Parliament, written answers and public meetings of committees will be published on CD-ROM.

WHAT'S HAPPENING IN THE SCOTTISH PARLIAMENT, compiled by the Scottish Parliament Information Centre, contains details of past and forthcoming business and of the work of committees and gives general information on legislation and other parliamentary activity.

*Single copies: £3.75*

*Special issue price: £5*

*Annual subscriptions: £150.00*

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

*Single copies: £3.75*

*Annual subscriptions: £150.00*

Standing orders will be accepted at the Document Supply Centre.

Published in Edinburgh by The Stationery Office Limited and available from:

**The Stationery Office Bookshop**  
71 Lothian Road  
Edinburgh EH3 9AZ  
0870 606 5566 Fax 0870 606 5588

**The Stationery Office Bookshops at:**  
123 Kingsway, London WC2B 6PQ  
Tel 020 7242 6393 Fax 020 7242 6394  
68-69 Bull Street, Birmingham B4 6AD  
Tel 0121 236 9696 Fax 0121 236 9699  
33 Wine Street, Bristol BS1 2BQ  
Tel 01179 264306 Fax 01179 294515  
9-21 Princess Street, Manchester M60 8AS  
Tel 0161 834 7201 Fax 0161 833 0634  
16 Arthur Street, Belfast BT1 4GD  
Tel 028 9023 8451 Fax 028 9023 5401  
The Stationery Office Oriel Bookshop,  
18-19 High Street, Cardiff CF1 2BZ  
Tel 029 2039 5548 Fax 029 2038 4347

**The Stationery Office Scottish Parliament Documentation**  
Helpline may be able to assist with additional information  
on publications of or about the Scottish Parliament,  
their availability and cost:

**Telephone orders and inquiries**  
0870 606 5566

**Fax orders**  
0870 606 5588

**The Scottish Parliament Shop**  
George IV Bridge  
EH99 1SP  
Telephone orders 0131 348 5412

**RNID Typetalk calls welcome on**  
18001 0131 348 5412  
Textphone 0845 270 0152

sp.info@scottish.parliament.uk

www.scottish.parliament.uk

**Accredited Agents**  
(see Yellow Pages)

and through good booksellers