

# **FINANCE COMMITTEE**

Tuesday 26 October 2004

Session 2

£5.00

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## FINANCE COMMITTEE

### 26<sup>th</sup> Meeting 2004, Session 2

#### CONVENER

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

#### DEPUTY CONVENER

\*Alasdair Morgan (South of Scotland) (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

Gordon Jackson (Glasgow Govan) (Lab)

David Mundell (South of Scotland) (Con)

Alex Neil (Central Scotland) (SNP)

Iain Smith (North East Fife) (LD)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

#### THE FOLLOWING GAVE EVIDENCE:

Irene Graham (Scottish Women's Budget Group)

Kay Simpson (Scottish Women's Budget Group)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Terry Shevlin

#### ASSISTANT CLERK

Emma Berry

#### LOCATION

Committee Room 1



## Scottish Parliament

### Finance Committee

*Tuesday 26 October 2004*

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

### Budget Process 2005-06

**The Convener (Des McNulty):** Welcome to the 26<sup>th</sup> meeting of the Finance Committee in 2004. As usual, I remind people to switch off all pagers and mobile phones. We have received apologies from Wendy Alexander and from Jeremy Purvis, who will arrive late.

The first item on our agenda is consideration of the Executive's draft budget, which was published on 15 October. Arthur Midwinter has produced two papers for us: one gives an overall view of the draft budget and the other is the draft guidance to subject committees. I will ask him to speak to the papers and I anticipate that we will want to have a brief discussion. I will ask members whether they agree to the guidance to subject committees, which will then be issued. I add as a caveat that we will take evidence later from the Scottish women's budget group and we might want to make minor amendments to the guidance on the basis of that evidence. We can deal with that offline.

For information, I remind members that, in addition to taking evidence from the Scottish women's budget group today, next week we will take evidence from David Bell from the University of Stirling and from Irvine Lapsley. We hope to have the Minister for Finance and Public Service Reform before us on 9 November to talk about the spending review and the draft budget and on 15 November the Deputy Minister for Finance and Public Service Reform will attend our external meeting in Cupar. That will constitute our formal evidence taking and we will then produce a draft report, taking into account the reports from the subject committees. As usual, there will be a debate on our report in the chamber just before the recess in December.

I ask Arthur Midwinter to speak to his papers.

**Professor Arthur Midwinter (Adviser):** Convener, I hope that you will allow me a little licence to congratulate committee members on their nomination for the committee of the year award, which is an important recognition of the way in which this committee conducts its business. I have always taken the view that the Parliament is at its best when it acts on a cross-party basis and that is certainly the case with most decisions in

this committee. The nomination is a recognition that the Finance Committee is rigorous but fair in its scrutiny of the Executive and practical and constructive in its recommendations. I wish members all the best for when the night arrives.

In the guidance to subject committees, I am simply trying to put stage 2 in context because we are still in the first year of the reformed system. I am keen to avoid the situation arising—although I am sure that it will—in which members of other committees attack the Executive for reducing the number of targets when it was doing so on the recommendation of the Finance Committee. I try to set out for the other committees the background to the current stage: recommendations on spending have been made and we are examining the Executive's responses and the revised targets that are being produced as part of the biannual review of targets and the spending review. I drafted the questions on that basis.

I add a final point on the Equal Opportunities Committee. This year, for a number of reasons, I deliberately did not set a question on equal opportunities. First, it is hard for the Equal Opportunities Committee to make recommendations with regard to the spending proposals, which are across departments. Secondly, I am aware that that committee has not yet had a reply from the Executive to its stage 1 budget report. We might need to chase that up; I have arranged with the clerks to meet the Equal Opportunities Committee clerks at 2 o'clock today to discuss how best to take the issue forward. It would be helpful if I came back with an update on the position after members have heard evidence today. There have been staff illnesses on the equal opportunities side of the Executive, but it is surely unacceptable that we have not had a reply at this stage.

**The Convener:** Are there any questions on the draft guidance?

**John Swinburne (Central Scotland) (SSCUP):** I congratulate Arthur Midwinter on his presentation. He is either dumbing it down or making it more relevant to the rest of us—

**Professor Midwinter:** It is definitely the second of those.

**John Swinburne:** The paper is understandable, lucid and clear. When we have such assistance, it makes things much easier.

**Jim Mather (Highlands and Islands) (SNP):** I suggest that some of the questions that we pose to committees should be more open. The committees could give us quite simple answers to some of the questions and get away with a yes or no. I am talking about the first few questions in paragraph 5 of the draft guidance. We should ask more open questions, such as how the budget in a

particular portfolio contributes to meeting the key objectives of that portfolio, to economic growth and to improved competitiveness throughout Scotland. We should try to get committees to open up and we should not allow binary responses.

**Professor Midwinter:** From past experience, we will not get yes/no answers. There is no doubt that we will get fully developed answers. I have no view on the matter—I am happy to listen to what others have to say on it. I am conscious that there is an agreement with the Executive under which certain topics require answers and my draft reflects that rather than giving wider questions.

**The Convener:** The staging of the budget process means that committees had a chance at stage 1 to deal with more open questions and to make recommendations. They are now being asked for a specific response to the way in which the Executive has acted. If a committee feels aggrieved in relation to an Executive response, it is possible for that committee to put its views. To highlight the fact that we are not looking for yes/no answers, we could consider a format that asks committees whether they are content and the reasons for that.

**Professor Midwinter:** I tried not to be condescending to them, but in saying that—

**The Convener:** Perhaps in the letter we should say that it would be helpful for—

**Professor Midwinter:** We had a series of meetings with the other committees and made it clear to them that we were trying to rationalise their commitment of time to the budget process by clearly separating the two stages, one of which deals with strategy and the other of which deals with detailed proposals. We did that because we had received complaints from committees about the amount of time that they had to put in. The slimmer structure reflects that.

**The Convener:** As we are happy with that guidance, do you want to move on to the main paper?

**Professor Midwinter:** I will raise three or four of the most significant issues, but the paper is a highlights paper in the sense that, as I have said before, I am happy with the budget document as a whole. I am happy that it is more focused on the key issues and that the format reflects discussions between the committee and the minister.

First, on budget priorities, members will recall that in relation to both the annual evaluation report and “Building a Better Scotland: Spending Proposals 2005-2008: Enterprise, opportunity, fairness” I expressed misgivings about the four challenges. I said that only economic growth is meaningful as a criterion for strategic decisions in the budget and that the other three criteria were so

general that almost anything could be defended under them. It is interesting that those challenges are not mentioned in the budget document. The budget priorities are narrowed to three that are similar to those in the past: economic growth, closing the opportunity gap and sustainable development. It helps to have that clarified. My view was that by having four challenges and a couple of cross-cutting themes below them, we had so many priorities that they were becoming meaningless.

As for key decisions, on the basis of the whole cycle that we have had this year, one advantage of the document is that the committee now spends less time complaining about the information and focuses more on the decisions that the Executive has taken. Many of those are similar to the trends that were identified in BABS. I explain for the committee's benefit that the enterprise networks have a standstill budget, which we may want to raise with the Minister for Finance and Public Service Reform, because no rationale is given for that; it is simply stated. Economic growth is the top priority, but the one budget with the responsibility to promote economic growth is standing still. There may well be a good explanation for that.

The increase in the local government budget is low. After our previous meeting, the First Minister said in Parliament that he had a target of 2.5 per cent. To clarify the position for members, I went back over the documentation and saw that at our previous meeting an Executive official said that, in his statement of the previous week, the former Minister for Finance and Public Services had stated that, on the basis of the settlement, there was no need for local government to depart from the trend of recent years. Of course, as I am careful about such matters, I checked the trend, which was for a 4.8 per cent average in the past five years. The advice that the committee has received and the advice that civil servants are giving are not inconsistent, but that is the second time in the past few weeks that the positions set out by the Minister for Finance and Public Services and by the First Minister have had apparent contradictions. I would like all that to be cleared up.

Another interesting aspect of the budget document is the growth in non-domestic rates income, which is not the result of a change in the rate poundage. We should pursue that in questions. The cause may be the dropping out of past safety nets for revaluation effects, which are contained in the total. The growth of over 7 per cent in NDRI is surprising and means that the grant element is rising only marginally.

I have highlighted for the committee the fact that growth in capital will not really start until next year and raised questions about the future of public-

private partnerships. Local government has had only two bidding rounds and we may want to find out whether another round is planned before the parliamentary session ends.

Overall, I am happy with the approach that the Executive is now adopting to cross-cutting issues. However, too many examples remain of departments arguing that they advance cross-cutting themes simply by undertaking their core functions, when the link is tenuous. Nevertheless, overall, a general improvement has taken place. I have given examples in which it is difficult to see a link between the stated functions and the wider cross-cutting objective, which is closing the opportunity gap in one case.

Problems of tracking funding and outcomes remain. It is important to reach an agreed position with the Executive on that, because the Executive says that it wishes to target resources on results, but it cannot do so in some cases. I have given a good example from the budget document of the inconsistencies in the presentation of local government information, for which our minister is responsible. The claim is made that all spending by local government benefits economic growth, then the rest of the chapter concentrates on minor programmes that local government has funded, which total £400 million and do not relate to the £8 billion.

10:15

The finance and public services chapter leaves service spending to the relevant portfolios, so the education and young people chapter deals with the education element of the block grant and the justice chapter deals with the police and crime, yet for the committees the data on spending on those services are not available by portfolio, so nobody is scrutinising them at that level.

Members will recall that when we have asked for grant-aided expenditure figures for major services to be published, we have encountered resistance on the ground that that would infringe local discretion. Ministers have said that spending is a matter for local discretion. The budget document says that the Finance and Central Services Department's monitoring role ensures that priorities for closing the opportunity gap are met. It is difficult to see how spending can be a matter for local discretion and yet still meet Executive priorities. That raises a host of inconsistencies.

In one sense, we have had an advance in the publication of information on closing the opportunity gap. We now know that about £1 billion of programmes are targeted directly on closing the opportunity gap. I have calculated that that is about £800 per capita of additional spending on groups in the Scottish community that

are classed as poor or deprived. However, we have no analysis of the £17 billion that is spent through the health and local government block grants on tackling closing the opportunity gap. Members will remember that we pursued Andy Kerr last year on his claim that GAE figures did not need to be published because it was more important to focus on outputs than on inputs. At that time, he recalled that in the previous year he had told us that the Executive was trying to reach agreement with local authorities on local outcome agreements and he took responsibility for the lack of progress on that. I checked and they are no further forward on agreeing a set of local outcome agreements. If the Executive is pursuing a resources-with-results approach to the budget, key issues remain to be addressed.

The final point is on objectives and targets, which have had a general improvement overall. For the record, I say that targets are reviewed for every spending review and that they apply for a spending review period. I expected all the targets to be reviewed and I knew that the review was taking place. The targets that were set in 2002 will be reported on to the committee, but that will happen after the cycle ends in 2006, so I guess that it will be 2007 before we have output data about performance against targets. We discussed that with Executive officials six months ago and said that, whatever happens, the Executive must report on the 2002 spending review targets at some stage.

The big question is how the Executive cannot set a target for its top priority or how it can choose a top priority for which it cannot set a target. That is totally inconsistent with the Executive's approach to the budget. I agree with the statements in the document that growth is influenced by global and national, United Kingdom factors and by external factors that we cannot affect and I certainly agree that it is difficult to link growth to Executive spending. Therefore, the question is how the Executive can adopt a top priority if it says that it cannot target resources on the priority and cannot explain effects. That is inconsistent with saying that it wants to be measured by outputs and results. Similar problems exist in dealing with poverty, on which much progress will depend on decisions by the UK Government and by individuals and on wider external factors.

It is interesting that neither the draft budget nor the recent review of "The Way Forward: Framework for Economic Development in Scotland" contains even an economic growth benchmark for us to refer to. Obviously, the data exist, but they are not in the documentation, although economic growth is a top priority. The argument is that we are trying to obtain a sustainable economic growth rate that is higher

than the current level. However, according to the key documents that set or do not set the targets, not even a benchmark to start with exists. Apart from those points, I was happy with the draft budget document.

**The Convener:** Thank you for that. I remind members that we are scrutinising the Executive, so Arthur Midwinter is providing us with issues that he thinks we might want to pursue with the Executive. We will try to achieve clarity on those matters so that we can develop them with the Executive.

At the end of your comments, Arthur, you spoke about a target for growing the economy. I thought that the Executive had an existing mechanism for measuring progress of the smart, successful Scotland process, which looks at comparators with countries that are part of the Organisation for Economic Co-operation and Development. There is a notional target within that strategy. Should the Executive be using that mechanism more explicitly to allow itself to be held to account?

**Professor Midwinter:** You might recall our initial discussion of the subject about six months ago, when we played with the idea that, just as in poverty, there should be a composite indicator based on six different measures. We ought to explore whether that could also be done in relation to economic growth.

Not one of the targets that you referred to measures economic growth. There are targets that measure our share of research and development spending and our share of capital investment, but not economic growth. I appreciate where the Executive is at when it says that it does not want to set a target for growth because growth can be influenced by other factors, but that raises the much more basic question why one would choose as a top priority something that one would never be able to report on or say that it was the direct result of action taken by the Executive.

In its reply, the Executive listed five or six indicators that it uses within the economic development function, which is probably the subject of scrutiny by Alasdair Morgan's old committee—the Enterprise and Culture Committee. We need to have a further discussion about getting a meaningful strategic target for something that is described as a top priority. We can use existing targets, but they will not tell us whether economic growth in the next few years will be above the current benchmark. We will not find that out from the budget documents because they contain no benchmark and we will not be able to know how much of the growth is down to the actions of the Executive. That is the problem.

**The Convener:** There are two issues. One is the question that you ask—to what extent can

Executive spending deliver clear outcomes? The world is complicated, so we can never argue that Executive spending is necessarily the sole producer of a definite outcome. That is the inherent problem with outcome measures, as we have discussed many times before.

The other issue relates to growth targets or comparators. Given that the economy is heavily dependent on worldwide economic and trade factors, it might be that we cannot simply set a growth target. However, we could set a benchmark by looking at the performance of other economies, whether they are similar or not. I thought that that was what the Executive had done in its attempt to assess progress through the smart, successful Scotland strategy. If a benchmarking process is already in place, instead of bemoaning the fact that there is no clear target for economic growth, we should ask whether we are happy with how the benchmarking is working out.

**Professor Midwinter:** We do not need to be precise. It would be madness to say that growth is 2.5 per cent this year and that we will hit 3.5 per cent next year, or something like that. However, there ought to be some kind of statement and target in the budget, although not as in "A Smart, Successful Scotland", which has about 18 targets. Unless there is some target for allocating resources to the top priority of economic growth, the process will be flawed. We ought to have discussions with the Executive about how that idea could be developed.

**The Convener:** We need to have those discussions with the Executive, which is why I seek clarity on the matter today.

**Professor Midwinter:** I am not arguing for a specific target, but we need some way of measuring progress. Perhaps we could use data about and comparisons with economic growth throughout the nations and regions of the United Kingdom—

**The Convener:** Or other European countries. If we want to be in the first or second quartiles, as opposed to the third or fourth quartiles, we should flag up that point.

**John Swinburne:** Arthur, in paragraph 14 of your paper, you mention PPPs. What is your opinion on PPPs? Are they not a method of blurring the figures so that people think that they are doing better than they actually are? For example, Hairmyres hospital, Wishaw general hospital and the Edinburgh royal infirmary cost £351 million to build, but over the term of the PPP they will cost just under £2 billion. That is a false economy. It is a regressive approach, which puts burdens on future generations to pay for things that we require right now. The only way that



people can see of getting what we need now is to go into the open market and borrow money at an exorbitant rate, making the taxpayer pay through the nose.

**Professor Midwinter:** In accounting terms, PPP was introduced to be a way round the conventional controls on capital spending. It was intended to take projects off budget because they would not be regarded as public spending. Later, the Executive still wanted to take some credit for those projects and started counting them, despite the fact that they do not relate to public expenditure.

The value of PPP is a much wider question and the answer is not yet clear-cut, based on the research that has been done. There are mixed views on it within the academic community. The publications on PPP fall into for and against camps and are often driven by the starting point of the writer rather than by the outcome of the work. I am not in a position to make a judgment on the merits of PPP—

**John Swinburne:** Is that because of the unavailability of figures?

**Professor Midwinter:** For the purposes of academic research, one would have to spend a lot of time going through the detail of project after project before one could reach a sensible judgment. People will not do that unless they have a pressing reason for doing so. One tends to get articles with a very general level of appraisal rather than articles that go through the exercise.

**The Convener:** The previous Finance Committee, of which Alasdair Morgan and I were members, spent a year looking at PPP, so we have spent a lot of time dealing with the subject.

**Alasdair Morgan (South of Scotland) (SNP):** I have a supplementary question. In paragraph 13 of your briefing paper, you talk about the accounting change. Can you point me to that information in the budget document tables?

**Professor Midwinter:** I am afraid that I do not have the budget document with me. My guess is that there is a bullet point somewhere that explains the accounting change, but I will write to you about it if that is okay.

**Alasdair Morgan:** That is fine.

**Professor Midwinter:** That would be easier than finding it now—it is probably information that I found in the small print.

**Alasdair Morgan:** You mention non-domestic rates. I remember that, when we pressed the minister on the previous projected increases—I think that it was at our meeting in Portree—he said that any increase would mostly be the result of the tailing off of transitional relief. However, if that is

not the case, there are not many reasons why NDRI should increase, apart from in those sections of industry where valuation is based on turnover. For most premises that pay non-domestic rates, there is a valuation and a rate poundage. If we exclude the rate poundage from the effect, the valuation will not change unless—

**Professor Midwinter:** The rate poundage was pegged in line with inflation, so an above-inflation increase cannot relate to the rate poundage; it could relate to growth in the yield. These things are not an exact science. One might discover that the initial estimate of the yield was inadequate. It is interesting that the yield is projected to fall again in the last year of the cycle.

**Alasdair Morgan:** It would be interesting if we could find out a bit more about the methodology that is used for such projections. It is clear that the yield could increase. If one builds a new Parliament building, one will get a lot of income from it.

**Professor Midwinter:** The figure went from £1.6 billion to £1.8 billion almost overnight during the previous spending review. In the AER, the figure was £1.6 billion, but by the time the draft budget reached us in Portree the figure had increased to £1.8 billion. Now it has been forecast that the figure will rise to £2 billion and then decrease slightly in the last year of the cycle.

**Alasdair Morgan:** It is a substantial increase.

**Professor Midwinter:** Yes. If there were a similar increase in the council tax yield, that would give local authorities a great opportunity to constrain the council tax. From what I have seen, the projections for council tax are for modest increases in yield due to the fact that new household formation is at a much lower level.

10:30

**Dr Elaine Murray (Dumfries) (Lab):** I have a question about paragraph 12. Perhaps I have not looked at the budget in sufficient detail, but I could not find in the budget document what the paragraph says about aggregate external finance and so on.

**Professor Midwinter:** I am sorry—would you repeat that?

**Dr Murray:** Paragraph 12 raises issues about the composition of AEF and so on, but I could not find what it refers to in the document. Perhaps I did not look in the right places.

**Professor Midwinter:** It might be easier if I write to you too.

**Dr Murray:** Yes. Just drop me a line.

**Professor Midwinter:** I certainly found the figures before I did the calculations. In fact, I refer to page 154 of the document, which shows the breakdown between revenue support grant and non-domestic rates.

**Dr Murray:** Thanks.

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** I want to return to paragraph 9 of your report and an issue that we asked about before the meeting started. The paragraph states that

“rural development and fisheries ... received significant increases.”

Page 141 of the draft budget document considers fisheries in particular. You are absolutely right—the document talks about fisheries grants and so on increasing in 2005-06 and 2006-07 above this year's figures. Is money for decommissioning included? The document mentions assistance being given

“towards investments in the fishing fleet”.

**Professor Midwinter:** I remember that you asked that question last year and it was said that the money was not included, but we can check for you.

**Mr Brocklebank:** I think that I asked Tavish Scott that question. Where would the decommissioning figure be, if it is not in there?

**Professor Midwinter:** I have no idea—I will need to check that.

**The Convener:** It will be a one-off budgetary category.

**Professor Midwinter:** The figure might have been a one-off supplementary that the Parliament approved simply to allow decommissioning to happen. The moneys could have been underspent moneys from somewhere else that were simply brought forward.

**Mr Brocklebank:** Perhaps we will pursue that matter a little further.

**Professor Midwinter:** Yes.

**Mr Brocklebank:** The 2005-06 figure for fisheries grants certainly seems to be a significant increase. I wonder what that includes and whether ports and harbours are included. There is a loose phrase about assistance being

“given towards investments in the fishing fleet”.

**Professor Midwinter:** I will chase the matter up with the finance people.

**Mr Brocklebank:** Thank you. That would be useful.

**Jim Mather:** I want to return to my hobby-horse of economic growth targets, which Arthur Midwinter wrote about rather well in his paper.

Given the amounts of money that are at stake and in order to be fair not only to Scottish taxpayers but to UK taxpayers, the argument that I would want to take forward as we engage with ministers is that such targets are necessary.

Equally, there is another issue vis-à-vis Scottish Enterprise and our overall competitiveness. It could be incredibly damaging for Scotland's long-term prospects if the impression was allowed to travel abroad that Scotland did not care about economic growth and that economic growth was treated as so much mouth music without there being any particular target.

**Professor Midwinter:** That is not really a question—it is more of a statement.

**The Convener:** I am not sure that Arthur Midwinter should be asked that question—it is a question for the minister.

**Professor Midwinter:** The issue must certainly be raised with the minister.

**Jim Mather:** In your opening gambit, you made a point about the improvement in the information being provided, which we all acknowledge is significant. The key point that I take from what you said is that we should continue to clamour for more and better data. The key element of the data that we currently have—and the one element that might give us a means to keep our finger on the pulse of and monitor economic growth—is gross domestic product. Scotland's GDP worries me considerably. Like others, I have looked in detail at the Royal Bank of Scotland's recent report “Wealth Creation in Scotland: A Study of Scotland's Top 100 Companies”, from which I managed to get an expansion of gross value added by the top 100 companies. The report considers net profits, payments to employees and depreciation. If one does calculations that are based on what one understands to be the shareholdings of those companies and the location of their work forces, it looks as if only around 19 per cent of that GVA component, which is reputed in the report to be 56 per cent of Scottish GVA, applies here. Should not the committee clamour for better data? Perhaps Scotland should do what other countries do and produce gross national product data that give us a clearer indication of how wealth is moving in line with performance and how it is moving in a way that is more relevant to and reflective of what real people in Scotland experience.

**Professor Midwinter:** People should always ask for better data in that field, whether they are members of this committee or of Alasdair Morgan's former committee—the Enterprise and Culture Committee. I am waiting to see how the Executive will respond to the work that is going on in England, which will clearly have implications for how GDP is measured. I understand that one of

the assumptions is that growth in the public sector affects GDP. The assumption is that there is no productivity gain; therefore, the increased cash is built into GDP. Obviously, all sorts of difficulties are involved in getting to meaningful figures. I suppose that it is more for the clerks to decide whether this committee, which handles the budget, or the committee that monitors economic development should be responsible.

**Jim Mather:** Do other countries include their public sector spending in their GDP calculations?

**Professor Midwinter:** I think that the GDP measure that we currently use is the common measure.

**Jim Mather:** I have a specific question about paragraph 12 of your report, which other members have asked about. What beneficial effect will the 7.2 per cent increase in non-domestic rates income have on local government finance?

**Professor Midwinter:** It will have a neutral effect on local government finance because the revenue support grant will simply be reduced. I think that there was a similar situation last year or the year before. The additional money came through on a supplementary estimate and the Executive simply adjusted the total RSG. The increase will provide no extra money to local government—the source of payment will simply be changed.

**Kate Maclean (Dundee West) (Lab):** I refer back to paragraphs 10 and 11 of your paper, which are on local government. I absolutely agree with you that if additional developments have not been individually calculated, it is important that we ask the minister for those calculations, as they could be a bone of contention at a later stage.

I am concerned about the targets for council tax increases, as there is obviously a huge discrepancy between the Executive's stated targets and what local government says are realistic targets. Although council tax accounts for only around 14 or 15 per cent of councils' expenditure, it is the part about which the public are most concerned. I wonder whether the committee can do a more forensic examination of the facts relating to the figures that local government and the Executive have put out and whether it can come up with accurate information for the public. Would the Finance Committee or the Local Government and Transport Committee do that work? Do you know whether the Local Government and Transport Committee will look at that area? The issue is important, given that local government accounts for a third of the budget and that council tax is quite controversial. Rather than receive hugely different information from different sources, the public should at least be made aware of the facts.

**Professor Midwinter:** A number of points need to be clarified. It was interesting that Mr McCabe did not make a forecast at our previous meeting, but that the 2.5 per cent figure was quoted the next day. I do not know where that figure came from.

The 4.4 per cent figure is available in the rating review document. For each spending review period, councils are now required to set an actual level for the first year and indicative figures for the next two years. I looked at what happened last year. The vast bulk of councils came in either on the indicative figure or within £10 either way. There were a number of unusual figures that were different from the indicative figures, but local authority finance officers are pretty sharp cookies, and they will have worked out fairly accurately what they would get if the grant did not change, and the grant has not changed.

Obviously, I can produce the kind of paper that you want, but perhaps we ought to discuss the matter with the Local Government and Transport Committee. We should certainly have something back before the stage 2 report is due to be produced. I am happy to do that work if the committee is happy for me to do so, as things are at my fingertips and the work can be done, but we ought to clear the lines with the Local Government and Transport Committee. Indeed, perhaps we should offer the work to that committee.

**Kate Maclean:** I know that the Convention of Scottish Local Authorities and local authority finance directors are more than capable of coming up with the figures, but it is a question of what the public can believe. I believe that the committee could act, in a sense, as a referee between the Executive and COSLA to come up with facts that are understandable and believable, so that there is clarity. If quite complex information is coming from different sources, it can be difficult for the public to look at it and decide who is right and who is wrong.

**Professor Midwinter:** There is a difficulty at the moment, because COSLA is without a finance director, as I understand it. Ought we to speak to the Local Government and Transport Committee about that?

**The Convener:** Maybe we should have a wee word with the clerks and take cognisance of whatever comes from the minister when we see him. We should leave that suggestion as something that we can take up, if we feel that it is appropriate, after we have had our session with the minister.

If there are no further questions, I thank Arthur Midwinter for his useful report. Before we move on to agenda item 2, however, I need to ask members to agree the guidance to the subject

committees—subject to the caveat that I mentioned earlier about adjustments that we might need to make after we have heard evidence from our next group of witnesses. Is that agreed?

**Members** *indicated agreement.*

## Budget Process 2005-06

10:41

**The Convener:** The next item on the agenda is our first evidence-taking session on the draft budget. We have with us today representatives from the Scottish women's budget group, Irene Graham and Kay Simpson. Ailsa McKay, who was to be with us, is ill today, and we send her our best wishes for an early recovery.

I welcome the witnesses to the committee. We have a copy of the submission from the Scottish women's budget group. I offer Irene Graham the opportunity to speak briefly to that submission before we take questions.

**Irene Graham (Scottish Women's Budget Group):** I thank the committee for inviting us. How long do I have to make my brief introduction?

**The Convener:** We normally say not too much more than five minutes.

**Irene Graham:** Okay. What I have to say will take about five minutes.

The Scottish women's budget group would like to thank the committee for giving us the opportunity to speak to members at this stage of the budget process. For those who do not know us, we are a group that was set up in 2000 to promote the value of bringing a gender perspective to the budget process. The group is made up of women academics and women from the voluntary and statutory sectors, as well as individual women with a specific interest in the field.

From the start, we have tried both to influence the budgetary process in the Scottish policy context and to look at international experience for models and inspiration. Our achievements to date in influencing the Scottish budgetary process have been recognised at international level and developments in Scotland have been presented in various publications focused on best practice and country case studies.

Two members of our group recently participated in Oxfam-led delegations to South Africa and Yemen, and we held a successful pan-island seminar in April, which attracted leading international thinkers in the field. We are asked to speak about our work at a range of UK and international conferences, and individual members are recognised as experts. From an international perspective, there is a great deal of interest in developments in Scotland, with a view to people identifying lessons to be learned and what works in any attempt to introduce gender-sensitive budgeting.

The Scottish women's budget group also works closely with our sister organisation, the women's budget group, which operates at the UK level. In fact, two members of the Scottish women's budget group worked alongside women's budget group members in an expert advisory capacity on a recent Treasury-supported gender-analysis project. The Scottish women's budget group thus feels that both the Parliament and the Executive have a key role to play in ensuring that Scotland remains a focus for attention in this area and that the Scottish experience serves to promote gender-responsive budgeting across the globe by providing practical evidence of an on-going, successful and sustainable initiative.

That said, we are concerned about recent developments—or, to be more accurate, about what we see as non-developments. As our written evidence states, it would appear that a gender-sensitive approach to the resource-allocation process in Scotland is still a long way off. Despite earlier commitments, the draft budget contains little evidence of consistent progress and little practical evidence of a more gender-aware approach, at least with reference to the budget process itself.

10:45

We believe that a gender-sensitive approach to budgeting is crucial in delivering on the Executive's overall strategy of growing Scotland's economy. Adopting a gender-aware approach to the practice of allocating public moneys across the Executive's devolved responsibilities would enhance the effectiveness of policy, thus securing the desired efficiency gains. Gender-sensitive budgeting allows for actual beneficiaries, as opposed to target groups, to be clearly identified, and would show up where gender-blind targets and initiatives were missing the mark.

Let us take the example of policies on child care. We welcome the target in the communities budget that reads

"by March 2008, increase by 15,000 the number of parents from disadvantaged areas and groups entering or moving towards employment",

which is to be achieved

"by removing childcare barriers".

If a gender perspective were applied to that, it would show not just who would be likely to benefit but whether the initiative would shift the fundamental economic imbalance that exists between men and women.

The strategy will require more child care workers, and traditionally child care workers are women and the pay in the sector, as we all know, is very low. Therefore, the women who get those

low-paid jobs will not necessarily be better off than they are at present. Who will enter employment once the child care has been provided? Traditionally, women have been prevented from entering the workplace because of a lack of child care, so it is safe to assume that women will be major beneficiaries, but without a gender analysis and gender-disaggregated statistics, we will not actually know. That seems to us an inefficient way of planning.

An additional example of the inefficiencies created by gender-blind approaches to policy design and delivery can be seen in the operation of the modern apprenticeship scheme. As an entry-level labour market initiative, the modern apprenticeship programme is key to delivering the overall objective of improving skill levels and promoting greater rates of productivity. However, evidence indicates that the actual operation of the modern apprenticeship programme may be contributing to and sustaining the existing gender pay and productivity gaps.

The modern apprenticeship scheme is characterised by gender-based segregation that mirrors patterns of segregation found in the wider labour market. Women dominate the frameworks associated with lower-paid and lower-skill level occupations. If that continues unchecked, gender inequalities in the Scottish labour market will persist. A gender-aware approach to budgeting would serve to make such outcomes more transparent and in turn would facilitate the development of policy initiatives to redress any unacceptable inequalities.

We believe that the Finance Committee has a key role to play in taking the lead on gender budgeting—a lead that will result in greater effectiveness and efficiency. The committee could, for example, ask for reports from the equality proofing budget and policy advisory group, with specific reference to the proposed pilots in health and sport. The committee could issue guidance to the subject committees, recommending that they scrutinise the relationship between spending plans and gender inequality within their remits. The committee could also recommend that subject committees develop capacity with respect to understanding the nature of gender inequalities that exist within their area of scrutiny.

**The Convener:** Thank you. I think that Kate Maclean has the first question.

**Kate Maclean:** You mentioned the operation of the modern apprenticeship scheme. Could you expand on how you think that it could be operated in a better way in terms of gender balance?

**Irene Graham:** If we do not have a target and do not try to do something about the situation, nothing will happen, because things will continue

as they are. If we want to change that, we have to look at how we can get women into those non-traditional work areas. That might be achieved by advertising campaigns, by promoting modern apprenticeships to girls as they approach secondary 4 in school or earlier than that, or by introducing into schools the kind of programmes that are used in Glasgow, where specific courses are offered in sport and in other areas that lead up to apprenticeships. That can encourage young people in school to think ahead and can help to change the balance, but that will not happen if we do not challenge the status quo.

**Kate Maclean:** I absolutely agree that a gender-neutral approach to such issues is not really helpful in promoting gender balance. What do you mean when you say that modern apprenticeship schemes are characterised by gender-based segregation?

**Irene Graham:** If you look at where the apprenticeships are, you will see that they tend to be in construction and the traditional skilled craft areas. Traditionally, those have always been sources of male employment and if you look at who is going into those areas, that continues to be the case. For example, it is reckoned that, at 29 per cent, males are more likely to have left school after S4 because they were offered modern apprenticeships—the figure for women is only 11 per cent. Therefore, more young men than young girls are going into modern apprenticeships.

We also find that, at 16 per cent, young men are more likely to go into technology apprenticeships; the figure for young women is 8 per cent. The figures for modern apprenticeship schemes in the fields of social work, youth work, community care or child care show that, at 18 per cent, young women are more likely to go into such schemes than men, at 0 per cent. It is clear that the long-standing segregation of the labour market continues in the modern apprenticeship programme.

**Mr Brocklebank:** Although all of us tend to pay lip service to the need to iron out the problems of gender inequalities, the evidence can show that not much is being done in that regard, as you say.

In your submission you say that there is “significant interest” in what is happening in Scotland. Can you put the situation into context for us by giving us a comparison of gender inequality in Scotland and the rest of the UK and in the UK and Europe? For example, what is the situation with pay levels? In your submission, you claim that women in Scotland earn

“16% less than men in average hourly earnings”

and as much as 37 per cent less if they are part-time workers. Can you give us comparable figures for the UK as a whole and for the rest of Europe?

**Irene Graham:** The Scottish figure is pretty much in line with the UK figure. I do not have the European figures with me at the moment. The Scottish figure varies by 1 or 2 per cent up or down on the UK figure depending on when the evidence is taken. The situation is pretty much the same across the UK.

**Mr Brocklebank:** Have you any indication of trends in Europe? Kate Maclean spoke about modern apprenticeships. Do you have any indication that more interest is taken in Europe to ensure that more women go into apprenticeships, including the technological apprenticeships about which you spoke earlier? When I was in Spain recently, I was interested to see that many of the people who were working on major road constructions—including the engineers who were using instruments to align the roads—were young ladies. Are there any indications that more of that is happening in Europe than is the case in Scotland?

**Irene Graham:** To be honest, I could not give an authoritative answer to the question. If the committee is interested in the area, I could ensure that we get the figures for you.

**Mr Brocklebank:** It would be useful to get them.

**Irene Graham:** Okay. We guarantee to get them.

**John Swinburne:** Is your group an offshoot of the United Kingdom group or is it a stand-alone group?

**Irene Graham:** The women's budget group, which we sometimes refer to as the Westminster budget group, has been established much longer than the Scottish women's budget group. Traditionally, it has taken a different focus from the one that we take in Scotland. The women's budget group tends to focus on fiscal policy—it works very closely with the Treasury.

The women's budget group is very interested in the Chancellor's budget announcement. Perhaps one of its most famous campaigns was the from the purse to the wallet campaign when the Chancellor proposed to change the way in which some benefits, including the family support benefit that traditionally had gone to women, were paid. He proposed to put them into the man's wage packet. The women's budget group mounted a big campaign to highlight the fact that if the Chancellor did that, he would impoverish a range of women.

We have tended not to take the same approach as that taken by the women's budget group, which tends to look at the impact of fiscal policy on women across the country. However, it has begun to show interest in what we are doing in Scotland with the budget process. As we know, Scotland has not used its tax-raising—or lowering—powers.

If the Executive were to exercise those powers, the Scottish women's budget group would focus on that as well.

**John Swinburne:** Although I acknowledge the fact that pensions are not a devolved issue, I was very disappointed that your submission contained only a one-liner about single pensioners. A female pensioner gets 50 per cent of the pension that is paid to a male pensioner. Where has the suffragette spirit disappeared to? You are tolerating a totally intolerable situation. You should make pensions a flagship issue and tell your colleagues down south to get the Chancellor of the Exchequer to rectify the situation.

Your submission also contains some lovely empty rhetoric—

**The Convener:** We need a question.

**John Swinburne:** I will come to the question.

**The Convener:** Quickly please.

**John Swinburne:** My question is when will the witnesses get their colleagues south of the border to do something about the nationwide pension issue?

The submission also says:

"At a recent business summit organised by the Equal Opportunities Commission the Scottish Deputy First Minister"—

Jim Wallace—

"acknowledged the urgency of gender equality in securing economic development and prosperity."

That is all just talk. There is nothing in the Liberal Democrat manifesto about equal pensions for women. The witnesses should be pushing such issues.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** I think that that is a question for me.

**Irene Graham:** I welcome Mr Swinburne's commitment to the cause of pensions and, in particular, the cause of women's poverty in old age as a result of their pension status. He is absolutely right on the issue. However, as the Finance Committee has no locus on pensions, we chose not to focus on it. We constantly make the points he raised in setting the overall scene of women's poverty. The women's budget group also looks at the pensions issue.

**Dr Murray:** I return to the points that you made about the modern apprenticeship scheme, which were well made. It could be argued that a reverse gender analysis could be done on the subject of under-achievement and criminality among young males, as those areas also need a gender-sensitive approach.

Is one of the reasons that the Executive has not made a lot of progress on gender-disaggregated data because it is difficult to see how to do that work? Perhaps the Executive is not sure how to present the data. Do you have any concrete suggestions about the sort of information that you seek? For example, are you looking for targets, outcomes or outputs? What should the Executive do to improve the analysis?

**The Convener:** Alasdair Morgan has a supplementary question.

**Alasdair Morgan:** Elaine Murray has asked the question that came to me as a result of reading the witnesses' submission. What changes would need to be made to the draft budget to allow us to say that we have achieved something?

**Kay Simpson (Scottish Women's Budget Group):** One of the things that the Scottish women's budget group has been requesting for a long time—indeed, we asked for it four years ago when the Scottish Parliament was first established—is the provision of gender-disaggregated baseline data so that we could use that information as a benchmark to measure whether progress has been made. At the moment, we cannot determine what progress has been made because there are no baseline data figures.

We have previously given examples that relate to sport. One of our more recent examples is that of women in business. I think that we give a figure of 14 per cent for the number of small to medium enterprises in Scotland that are owned by women. If the committee had a baseline figure it could look at the gender differences and determine what outcome it hoped to achieve. In two or four years, it would be possible to measure progress using the benchmark figure. One of our difficulties is that the draft budget document contains no benchmark figures that enable us to determine the progress that has been made.

We realise that it is difficult to produce those figures—it is a big job. However, we have been working for the past four years on the issue. When we asked committees in 2000 to consider gender equality, they did so. One of the areas that we highlighted was the lack of disaggregated data. Although provision was made at the time to provide figures, we seem to have got a bit lost along the way. The data have not been consistently provided.

We want to see a clear focus on equality in each portfolio, not just in one portfolio. We are talking about mainstreaming equality across the board. That would give us a clear statement on equality and would include measures around gender equality. We want to be able to measure progress, but at the moment it is difficult to do so.

**Dr Murray:** Are you suggesting that such an approach should be taken in particular pilot areas? I suppose that one of the problems might be that if that approach were adopted in every portfolio in every area, the budget document would get bigger and more difficult to analyse. Do you think that such data should be contained in the budget document or should there be supplementary publications that conduct a more rigorous analysis?

11:00

**Kay Simpson:** Until we get the process under way, that information will have to be given under each portfolio in the budget document. The equality proofing budget policy and advisory group is working on two pilot areas. Although we acknowledge that the pilot projects are very important, we are concerned that much of the focus has been on them. Given that we are talking about mainstreaming, we would expect a similar approach to be adopted in each portfolio.

**Dr Murray:** We have criticised the Executive for having too many targets; we have encouraged it to reduce the number of targets and it has taken that on board. Are you suggesting that some of the targets in the draft budget should be amended to reflect gender balance or that they should be taken out and replaced with alternative targets that offer improvements as regards a gender analysis?

**Irene Graham:** Let us take the example of modern apprenticeships. It is recognised that the Executive has already met its 2006 target of providing 300,000 modern apprenticeships. There is a commitment to continue with such provision and to increase the number of modern apprenticeships on offer. I have been asked what would be different in the budget. If we viewed the issue from a gender perspective, we could commit to ensuring that some of those new apprenticeships went to young women. Without such a commitment, the chances are that the present situation will continue—in other words, those opportunities will go mainly to young men. If such a gender-sensitive approach is not taken, although one target might be met, there will be a failure to recognise that that will do nothing to shift the fundamental imbalance of the gender pay gap and the job segregation that affects the roles of women in society.

On page 106 of the draft budget, there is a "Statement of priorities". Among those priorities are those of

"tackling domestic abuse and violence against women; tackling the gender pay gap and barriers to gender equality; challenging racism and homophobia; promoting equality for disabled people; supporting refugee integration; and promoting community cohesion".

Page 105 refers to the promotion of equality. Unless I am missing something, it seems to me that the budget for that is very much reduced. The allocation for this year is half of what it was in 2003-04 and that will be the case again in 2005-06. Where is the evidence to back up such statements of priorities? I cannot see where the statement on gender equality is followed through in the budget.

What will be used to tackle domestic abuse and violence against women, which have a huge impact on the economy? There is no evidence of expenditure in that area in the budget. If we are serious about sustaining and increasing growth in the economy, we must tackle that issue. The Home Office's recent study estimated that £1.3 billion was lost to the United Kingdom economy as a whole as a result of the effect on the employment sector of domestic abuse and violence against women.

If we do not include specific targets that provide a gender perspective in the budget, I do not see how we can make progress. Providing a gender perspective on all the targets in the budget would allow us to identify whether men or women were the beneficiaries. If men are the main beneficiaries of modern apprenticeships, is there a commitment to change that? We would argue that there should be such a commitment, because it is not possible to address the fundamental inequality that women face in the labour market unless such issues are tackled. We can do that and committees such as the Finance Committee have a role to play in that process.

**Dr Murray:** You are suggesting amending how the targets are set, so that they point towards a rectification of existing inequalities between the sexes.

**Irene Graham:** Yes.

**The Convener:** That would depend on the availability of more information.

**Irene Graham:** Kay Simpson is right about the need for a commitment to provide gender disaggregated statistics across the board, but there is more information around. For example, there is fairly detailed evidence on the modern apprenticeships scheme. I was surprised to find that female modern apprentices are paid £1 an hour less than their male counterparts. I do not understand why that can be allowed. Unless we take a gendered approach to things, such figures will not be uncovered.

**Jim Mather:** I want to return to gender disaggregated statistics, which are available from organisations such as the Scottish Low Pay Unit. Do you co-operate with it in drilling down into the data?



**Irene Graham:** Absolutely. One of the members of the Scottish women's budget group is on the board of the Low Pay Unit. We use its statistics and we work closely with a range of other bodies, including the Equal Opportunities Commission. We use the statistics that are available, and they are available not only to us but to everyone. If we can access them, the Executive can access them and bring them into play.

**Jim Mather:** As regards factoring those data into your planning process, what progress would you like to be made? On page 1 of your submission, you express "considerable frustration and disappointment" about the draft budget. What would transform those feelings of frustration and disappointment into more positive feelings? What targets would you like to be met?

**Irene Graham:** I want there to be an acknowledgement in the opening statements in the different sections of the budget that gender plays a part in the continuing inequality in Scottish life. Once such an acknowledgement has been made, a number of targets can be examined.

I scanned the draft budget and found examples of where such acknowledgement was missing. For example, in the section on justice, there is no specific mention of targets that relate to women, even though violence against women is a major issue. Mention is made of the three court pilots, one of which deals with drugs and another of which deals with domestic abuse, but no mention is made of continuing those pilots beyond where they are at the moment.

In education, there is a great deal of concern about the failure of young boys. Bringing a gender perspective to our consideration of the issue would allow us to think about how to focus on it. It is interesting that, even though boys do much worse in school, men end up earning more than women. I do not notice people jumping up and down and asking why that is the case. I would be happy for more boys to do better in school, and if we adopted a gender perspective, we would be able to target that sensitively.

In health, a range of issues affect men and women differently. By bringing a gender perspective to our consideration of those cases, we would be able to examine the spending more sensitively and to make it more effective.

**Jim Mather:** I understand that. Are you doing any work internationally to pick up role models, especially in Europe, that might prompt the Executive to make progress? In particular, I am thinking about the interesting work that the Economic and Social Research Institute in Ireland has done. I think that the topic of gender equality dominated their summer schools this year. The Norwegians are poised to make it law that, from

January, unless 40 per cent of the members of a company's board are female, it will not be able to trade, full stop.

I am suggesting that there might be role models in Europe that can prompt better behaviour on the part of the Executive. You might be able to make your proposition in such a way that you can prove to the Executive that, if it were to make some movement, there would be a better chance of Scottish competitiveness and economic growth improving. That might motivate the Executive to play a part in a more virtuous circle.

**Irene Graham:** It is ironic that members of our group act as advisers to Norway and Ireland and have done work in that area. In Ireland, a gender proofing budget handbook has been produced, which is very useful for gender testing policies. For example, a local economic development company would be asked about the make-up of its board and targets on that would be set. That information is already there.

Are you saying that we still need to argue the case and that people are not convinced? Is that right?

**Jim Mather:** To a certain extent. I listened to an excellent programme on Radio 4 one night, which discussed the Norwegian experience. Clearly some companies had moved ahead of the legislation in rebalancing the board—getting rid of men in grey suits and populating it with more women. They found that they were able to put their sales propositions to the totality of their customer base much more effectively.

**Irene Graham:** I agree; that would have great benefits. We are saying that if we had a gender perspective, we would start to ask, "What is the gender make-up of the typical big company board, quango or non-government body and what will be the gender make-up on community planning boards?" If we do not bring that perspective or make a requirement in that regard, the chances are that all those structures will be dominated by men and therefore the male agenda will dominate. If we have a commitment to a gender perspective we will begin to see what the situation is and be able to make changes.

**Jeremy Purvis:** There is not a lot in your submission—which is not to say that you have not been working on it—on the reliability of the data that we have on earnings and the pay gap within the private and public sectors. When I invited to the Borders representatives of the Scottish Low Pay Unit and the Low Pay Commission, as part of the commission's inquiry into the national minimum wage, they failed to give data for the Borders with regard to the pay gap, because the sample was too small to give an accurate figure. The statistics that you have to hand are in effect

statistics from initiatives and policies. The new earnings survey within Scotland relies on an old methodology and a small sample base. Do you think that a crucial part of the budget should be to put more resources into the statistics group of the Scottish Executive? You have not mentioned that at all.

**Irene Graham:** In previous submissions to other committees we have strongly recommended that there be gender disaggregated statistics. If the Scottish Executive does not have the capacity to produce them, more resources need to be put in.

**Jeremy Purvis:** I am talking specifically about the pay gap and the links between the new earnings survey, the Office for National Statistics and the statistics group of the Scottish Executive.

**Irene Graham:** To be honest, I cannot comment on that. The statistics should be there. Are you saying that the evidence on the gender pay gap is not robust or reliable?

**Jeremy Purvis:** I am saying that it is not robust and it is hard for it to be reliable. In my area of the Borders it is impossible to get reliable data on the pay gap and the real make-up of pay in the local economy. Both the Scottish Low Pay Unit and the new earnings survey admit that the data sample is 20 companies—out of 100,000 employees. I am not saying that new statistics would show up anything different from what we have at the moment. Nevertheless, you are saying that the budget is about implementing policies to make a real difference, but I am unable to get the core information, because the data sample in the Borders is small.

**Irene Graham:** I have statistics from the new earnings survey 2003 from the Office for National Statistics. They take all the major sectors and show the pay gap by hourly earnings and full-time weekly earnings, providing a picture across a number of sectors. You are telling me that the data are not robust and do not apply in areas such as the Borders, but I cannot comment on that. I am assuming that the statistics from the Office for National Statistics are reliable.

**Jeremy Purvis:** In a way you have answered the question I was asking by saying that you are assuming that the data are reliable. I was asking whether you think that it is right that in Scotland we should assume that the data from that organisation and others are robust. You are saying that you have not looked into the data, because you are assuming that they are reliable.

**Kay Simpson:** If there is a gap in the data it should be filled. On the Borders, I am a Borderer; I come from Eyemouth, which is not far from Berwick, where you went to high school. With or without the data, we can say that women in the Borders predominate in low-paid jobs.

11:15

**Jeremy Purvis:** It is interesting that that is clearly the case in the public sector, but in the private sector women have had a higher proportion of household income in the past, because they have been the predominant earners in the textile industry as finishers and workers in the mills. A higher proportion of males were second earners in the Borders, although that has changed slightly. What I am getting at is that parts of the economy are different. If there is a real policy to tackle the gender pay gap, we, as those who hold the policy-makers to account, need accurate statistics and reliable data. I was asking whether you thought that the ONS was doing enough. Perhaps we can have further contact about that, rather than discussing it across the committee table.

**Irene Graham:** We are both saying that there is a need for reliable statistics. You are saying that there is also a need for specific Scottish statistics and indeed regional statistics within Scotland. We would support whatever it takes to achieve that.

**Mr Brocklebank:** I want to explore further what action should be implemented to even out some of the inequalities that you outlined. You have rightly drawn attention to the fact that boys do not perform as well as girls do educationally and that far fewer girls than young men seem to take up modern apprenticeships. Are you saying that where qualified young men are competing for jobs against young ladies who are perhaps not as well qualified, there should be a weighting towards the females to try to address the inequality?

**Irene Graham:** I would be interested if that were to happen. We are in favour of positive measures that would address inequality. Where inequality is identified, we need measures to change it. Unless we have a gender perspective, we will not realise where the inequality is.

**Mr Brocklebank:** I am not sure that that answers my question. The inequality might work the other way as well. Do you believe that people who are less qualified, who are perhaps female, should have jobs weighted in their favour?

**Irene Graham:** I believe that any job should be given to the best person for it.

**Mr Brocklebank:** Thank you.

**Kate Maclean:** In response to a question from Elaine Murray you said that in modern apprenticeships girls earn £1 less an hour than do boys. Were you referring to analysis or a report that you could give the committee? What you said was interesting. I suspect that the take-up of jobs has more to do with stereotypical aspirations of boys and girls than with how modern apprenticeships are promoted to teenagers.

Perhaps that is something that should be dealt with much further back, at nursery school or even from birth, rather than when young people are 15 or 16. Can you clarify the point about girls being paid £1 an hour less than boys?

**Irene Graham:** Yes. The source of that information is the Scottish Enterprise Glasgow construction skills action plan for Glasgow 2003-2008. It is based on a report that states that female modern apprentices are paid £1 less per hour than are male modern apprentices and that females earn £2.55 per hour while males earn £3.55 per hour. I can get a copy of that report to you.

**Kate Maclean:** Presumably that is not for the same job.

**Irene Graham:** That detail is not given. It might be and it might not be. I do not know.

**Kate Maclean:** I would have thought that it would be illegal for a female going through a modern apprenticeship—to become a joiner for example—to be paid £1 an hour less than a male doing the same thing. Presumably that is part of the wider discussion about the pay gap for similar types of job rather than the same job.

**Irene Graham:** If we take it that women are not likely to be in the high-end construction apprenticeship jobs but in the lower-paid-sector jobs, that could account for it.

**Kate Maclean:** It would not be that girls are getting paid £1 an hour less for doing exactly the same modern apprenticeship.

**Irene Graham:** I hope not, but that is not clear from the report that I am quoting.

**Kate Maclean:** Can you furnish the committee with some analysis of the modern apprenticeship scheme or will you let the clerks know where that information comes from?

**Irene Graham:** Work has been done on the modern apprenticeship scheme and we could tell the clerk where to get that.

**Dr Murray:** Does there not need to be considerably more research to discover the reasons for this kind of gender segregation? Is the issue that women are going into low-paid modern apprenticeships and we have to consider the value that society puts on those jobs rather than saying that more women should go into construction when they might not want to? Is the issue the balance between the jobs that we think are valuable and those that we think are less valuable? How much research is being done on that?

Ted Brocklebank seems to have the wrong end of the stick when he talks about underachievement. There is more

underachievement amongst males than females, so it is not that underachieving females are benefiting from positive discrimination. Underachieving males do not go on to well-paid jobs; they are more likely to go into criminal behaviour. We might have to consider offending and reducing re-offending in relation to that sort of underachievement among young males. That reflects what Kate Maclean said about determining why women are going into less valued posts and how much that can be addressed to ensure that 50 per cent of teachers, for example, are male and 50 per cent are female. I speak as someone who studied subjects that were not considered attractive to women. If the jobs that we think of as being female were properly valued and paid, there might eventually be a fairer distribution between men and women in the different types of job because each job would be as important as the next.

**Irene Graham:** I do not know if research has been done into that question but I agree with your analysis. It is said that if men worked in child care, wages would not be so low, and if more value were placed on child care and the wages were higher, more men would go into it. There is a lot in what you said.

**Dr Murray:** Part of the difficulty for the Executive is selecting the kind of targets that would be most effective in addressing some of those problems.

**The Convener:** It is emerging that we require to be more gender sensitive not just when we are considering budgets, but during the policy development process. Those two strands need to be coupled.

Irene Graham suggested in her opening remarks that the committee could ask for reports from the equality proofing budget and policy advisory group, specifically with reference to their proposed pilots on health and sport. Your written submission shows that you had made reasonable progress during the four-year period, but you are concerned that there has been a loss of momentum during the past year. The committee could certainly ask for reports on where we have reached, and it could encourage consideration of further pilots. If that is agreeable to the committee, it would be helpful.

The guidance to subject committees gives us a catch-22 problem through which we have to find a way. Because we scrutinise the Executive, we depend on the Executive doing things that we can scrutinise. We need to hold further dialogue with the Executive on how progress should be made; that could then feed back into the way in which we scrutinise the Executive's work. We cannot analyse the Executive's progress against targets if it has not set targets. We might need to have further discussion with the Executive and the

SWBG about how to examine the issues. We should certainly ask for reports and updates on where we are going and what progress has been made. I am happy to ask the Executive for those on the committee's behalf.

Given that we are considering detail rather than strategy, I am not sure how we can progress the discussion during this budget process. I am sure that Arthur Midwinter would agree to maintain a dialogue with the SWBG on how we can include the issue in the budget process, and to report back to the committee on that.

The subject committees' capacity to consider gender inequality highlights a general problem of how we educate parliamentarians on taking on board such issues. I know that the Equal Opportunities Committee is concerned that it has not had a response to its recommendations. Arthur Midwinter reported to us earlier in the meeting that we will be pursuing that along with the Equal Opportunities Committee.

There are several steps that we could take that would assist you and the committee in progressing the agenda.

**Professor Midwinter:** I am not an expert in this area; indeed, I am on a steep learning curve on all such issues. However, I am an observer of the equality proofing budget and policy advisory group.

The Executive appears to have adopted a more selective approach than that which is being urged. Whatever the language of mainstreaming, it does not seem to me that the Executive is going to mainstream everything.

A lot of the work that is being done was more relevant at the Westminster level. A lot of development in that work was on tax, benefits and pay rather than on the specific services that are provided by the Executive. There was not a readily available model to implement from elsewhere. The notion was that the Executive would establish the pilots in health and sport with a view to drawing general lessons that could be used elsewhere. That is not just true in the case of gender; we are talking about age, disability, ethnicity and all sorts of equalities problems.

I understand that the pilot on sport has not started and it is going back to the advisory group because of concerns about costs. The pilot on health is stuck because it is still looking for a researcher to do the work. As a result, there will not be instant progress despite the fact that it must be more than a year—

**Kay Simpson:** The advisory group last met in February.

**Professor Midwinter:** Yes, and it is more than a year since the decision was made in principle to

support the gender impact assessment studies as a model for dealing with all groups in the equality statement. That is where we are, and I think that the pilot groups are meeting next month.

**Kay Simpson:** There have been recent changes with regard to the finance department. I was looking back to the early meetings when Peter Collins was head of the finance department. There was talk about the pilots, but other work such as awareness raising within the department was being done and the equality unit was holding seminars. The SWBG was involved with that, but there has been nothing like that since. Since we began to focus on the pilots, everything else has stopped. We have all identified that there is a need to build capacity around gender issues and considerations. That is one of our concerns.

11:30

**The Convener:** We will write to the Executive to ask what has happened to the pilots and what is being done to build capacity. We will seek an indication from the Executive of how it intends to progress the issue. That will allow us to respond in our stage 2 report on the budget.

**Irene Graham:** That would be very welcome.

**Kay Simpson:** We must also build capacity in the committees. The recent trip to South Africa showed that everyone faces the problem of building capacity in committees and departments. In South Africa, a manual was developed that highlighted gender issues and provided information on the budget process. Parliamentarians found that very helpful, so consideration could be given to producing a similar manual here.

**The Convener:** We can examine what has been done elsewhere to see whether it could usefully be applied here. We would be happy to consider any further information that you are able to pass to us.

Thank you for your attendance. There are some questions that we did not ask. May we pass those on to you and seek a written response?

**Irene Graham:** Yes.

## Further and Higher Education (Scotland) Bill: Financial Memorandum

11:32

**The Convener:** Agenda item 3 is consideration of the level of scrutiny that should be applied to the Further and Higher Education (Scotland) Bill. Members will recall that we agreed to choose between three levels of scrutiny when considering a bill. When level 1 or level 2 scrutiny is applied, a briefing note is prepared for the committee to discuss, so that it can agree the appropriate level of scrutiny. Members have received a paper from the clerks. I propose, as the paper suggests, that we apply level 1 scrutiny to the bill. That means that we will not take oral evidence but will send our standard questionnaire to appropriate organisations and forward any completed questionnaires to the lead committee on the bill. Is that agreed?

**Members** *indicated agreement.*

## European Issues

11:32

**The Convener:** The final item on the agenda is consideration of a paper by the clerk on how the committee might want to handle European issues that fall within its remit. The paper summarises two recent Scottish Parliament documents, "The Role of the Scottish Parliament in Relation to European Matters" and "The Relationship between the European and External Relations Committee and Subject Committees", by the then convener of the European and External Relations Committee.

Members will note that there are various issues that we need to consider. Paragraph 12 of the paper highlights how material is currently dealt with and asks the committee to endorse that arrangement. Paragraph 13 sets out various ways in which committees can take a more active role, if they wish. Members will see that the Finance Committee is less required than other committees to deal with some of the issues, but it might be helpful for us to discuss the paper briefly, for completeness.

**Jeremy Purvis:** The table that the clerks have put together in the paper is interesting. Over the past year, I have been aware of a large number of legislative proposals and policy decisions that our ministers have made in Brussels that have a big financial impact. I am sure that other members have been aware of them, too. Two issues that have been raised a great deal in the chamber are common agricultural policy reform and waste water treatment, which I am conscious have financial implications for Scotland in which the Finance Committee is not involved. I do not know whether there is a possibility of a compromise by combining the monitoring role with active engagement. Given our full agenda, it would be burdensome to try to do everything that is suggested in the column on active engagement, but it would be useful for relevant ministers and Commission representatives to give us evidence, based on the report that we receive. That could happen in relation to specific policy areas, rather than being done routinely.

**Mr Brocklebank:** I agree with what Jeremy Purvis has said, particularly in relation to matters such as the common fisheries policy to which Scottish ministers have an input that is by no means the lead one. Our experienced agriculture and fisheries minister—the Minister for Environment and Rural Development, Ross Finnie—goes regularly to European meetings and acts as the junior member to a United Kingdom minister. It has always seemed to me difficult to justify that situation given the relative importance

of the fishing industry in Scotland compared with its importance in the UK as a whole.

The third suggested option is that a minister gives us an oral briefing on EU matters to help us to make up our minds about the extent to which we should be involved. Would that be the right way ahead?

**The Convener:** I am not sure.

**Dr Murray:** I am not sure about that either. Our role is to scrutinise what is happening and we do not necessarily want to be led by what ministers think we ought or ought not to do. I do not regard the suggestions for our monitoring role and for active engagement as being either/or. We could select bits from both activities, because both are important. Of course, we must bear in mind our other work commitments. We must balance anything that we do on European matters with our inquiries and the other things that we want to do. We must also recognise the role of other committees. For example, taking evidence on the CFP is more a matter for the Environment and Rural Development Committee than it is for this committee. We should not necessarily regard the Finance Committee as substituting for other committees.

Several of the suggested activities would be worth while, but I am not sure that we need to have a minister along every six months. We could have a minister along only for particular issues. In addition, I am not sure about summoning directors general or other Commission representatives and a selection of Scottish MEPs. I do not think that our colleagues in Strasbourg would be keen to be summoned regularly to Edinburgh to attend meetings of the Finance Committee and it is probably unrealistic to expect them to do so. However, if they wanted to talk to us either formally or informally, we could invite them.

It might be sensible to send a member of our committee along to a meeting of the European and External Relations Committee to seek further information. We ought to contribute to consultations, particularly when they are within our area of competence. It would perhaps be worth while to have a greater input into consultations.

**Alasdair Morgan:** Other committees cover many of the suggested activities and we should not duplicate those. We certainly do not want to commit members to going to meetings or whatever just for the sake of it. I do not like option 1 in paragraph 15, which talks of "little or no engagement". That sounds far too negative, given the importance of the issues. We should be alerted to any items through the normal processes, as issues flow through the European and External Relations Committee to our clerks. If an item is looming on the horizon, we could pick

whichever monitoring role from the menu appeared to be appropriate for that particular policy area.

**The Convener:** That is a sensible suggestion. I will add a couple of things. It might be worth asking the Scottish Parliament information centre to consider the process of translating European directives and so on into legislation and the financial implications thereof. We could perhaps get a report on that once a year. Directives such as the bathing water directive or the water services directive do not come out of hyperspace—things are on-going in Brussels. It would be useful for us to get a report that sets out the main legislative changes that are being proposed in Brussels, indicating where those are likely to result in legislative change in Scotland and giving a scaling of the impact. That would be a useful boundary piece of work that could be updated at appropriate periods.

Perhaps we also need to consider how the Executive spends its money on European matters and external relations, which is within this committee's remit. I could discuss that matter with the new convener of the European and External Relations Committee and indicate that we might want to consider it. That could be a reporter-led process rather than something that comes to the floor of the committee. It would be worth signalling the Finance Committee's interest in that area—in conjunction with the European and External Relations Committee—if that is agreeable to members.

**Jim Mather:** I will build on what the convener has said. It strikes me that it would not be too onerous to have a report every six months that sets out the European financial threats and opportunities that have crystallised during the previous six months, and considers the outlook for the next six months. We could have that on a rolling basis, which would improve our ability to contribute to the macromanagement of Scottish financial management and outcomes.

**The Convener:** I am not sure whether a six-month period is the right one. I would commission the report as a one-off and then assess from that what the appropriate updating period would be.

**John Swinburne:** One area that we need to look into is the unexpected financial commitments that can result from the legal interpretation of directives that Europe hands down—for example, the judge's decision on slopping out. Perhaps another committee will consider that more stringently. The threat of having no control over our own finances if Europe gets a strong enough grip is always lurking in the background.

**The Convener:** The big issue for us is to ensure that the Executive takes proper financial

precautions to deal with identifiable consequences. That issue arose when we discussed the Water Environment and Water Services (Scotland) Bill last year and it will arise also in relation to other legislation. It would probably be useful for us to do a scanning exercise and to consider the financial implications of what comes from Europe. That would certainly fit with our remit. I suspect that the European and External Relations Committee does not consider matters in that way. It would be helpful if SPICE considered that area and reported to us on it.

Given the time, I thank members for their forbearance.

*Meeting closed at 11:43.*





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