

FINANCE COMMITTEE

Tuesday 9 November 2004

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 Astron.

CONTENTS

Tuesday 9 November 2004

Col.

BUDGET PROCESS 2005-06	1827
GAELIC LANGUAGE (SCOTLAND) BILL: FINANCIAL MEMORANDUM	1854
FINANCIAL MEMORANDA (SCRUTINY)	1871

FINANCE COMMITTEE

28th 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)

*Frank McAveety (Glasgow Shettleston) (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 GAVE EVIDENCE:

Douglas Ansdell (Scottish Executive Education Department)

David Brew (Scottish Executive Education Department)

Richard Dennis (Scottish Executive Finance and Central Services Department)

Mr Tom McCabe (Minister for Finance and Public Service Reform)

Fiona Montgomery (Scottish Executive Finance and Central Services Department)

Andrew Rushworth (Scottish Executive Finance and Central Services Department)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Terry Shevlin

ASSISTANT CLERK

Emma Berry

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 9 November 2004

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

Budget Process 2005-06

The Convener (Des McNulty): I welcome members, the press and the public to the 28th meeting in 2004 of the Finance Committee. I remind members to switch off pagers and mobile phones. We have received apologies from Elaine Murray.

Agenda item 1 is consideration of the 2005-06 budget process. I am pleased to welcome the Minister for Finance and Public Service Reform, Tom McCabe. Before the October recess, we agreed that the minister would appear before us to answer questions on the spending review and the draft budget. The Executive officials who are with the minister are Richard Dennis, who is the finance co-ordination team leader; Andrew Rushworth, who is head of the local government constitution and funding division; and Fiona Montgomery, who is the policy analysis team leader. Members have a copy of the minister's letter about end-year flexibility and central unallocated provision.

I kick off by giving the minister an opportunity to make a brief statement. We will then move to questions.

The Minister for Finance and Public Service Reform (Mr Tom McCabe): Good morning, everyone. I thank the convener for introducing the members of staff whom I have brought with me. Members are probably fairly familiar with them, but it is good to have their names recorded in the *Official Report*.

As the convener knows, my previous visit to the committee was within hours of my appointment to my present post and the circumstances were not the best for having a detailed exchange. It would be foolish of me to suggest that I have acquainted myself with every detail of the finance portfolio in the short time that has passed since then, but I have had the opportunity to reflect on areas that I think that the committee will want to cover today. As ever, where we cannot supply as much detail as we or the committee would like, we will endeavour to write to the committee as timeously as possible.

I have been asked to discuss the spending review and the draft budget. We were due to

discuss efficient government next week, but I am afraid that it now looks unlikely that we will be able to publish the efficient government plan in time for that meeting.

At this point, I should comment on ill-founded speculation that has appeared in today's press, which has—unfortunately—been fuelled by irresponsible comments from Mr Morgan and Mr Monteith. Perhaps that is simply what happens in the political knockabout arena. As you know, convener, we are anxious that the plan should be debated by MSPs in Parliament, and the original scheduled publication date for the plan had to be dropped at short notice because of the time that had to be used for the First Minister's reshuffle. Since then, we have sought to secure parliamentary time, which is, of course, limited and has had to be used to accommodate other important issues.

I make it clear that I could easily publish the plan today. I would be happy to defend it and to explain the Executive's confidence in the public sector and our belief that we can drive efficiencies in the public sector. I could also explain the benefits to the Scottish economy and the aim of enhancing the standing and credibility of the public sector. However, if I did that today without having secured parliamentary time, there would be a considerable gap between the publication of the plan and the opportunity for parliamentary scrutiny. I do not want a situation in which external debate could overtake the opportunity to discuss the document that should rightly be afforded to MSPs. I want to try to ensure that MSPs have a reasonable amount of time to consider the document once we publish it and that they debate its contents in the chamber as quickly as possible thereafter. In the light of that explanation, perhaps Mr Morgan and Mr Monteith will reassure the Presiding Officer and their parliamentary colleagues that they meant no discourtesy by trying to engineer a situation in which external debate would overtake parliamentary scrutiny. I ask the committee not to think that I am naive, please—that might sound like optimism triumphing over experience, but sometimes little nuggets of optimism keep us going.

The committee has now had longer to consider the document entitled "Building a Better Scotland—Spending Proposals 2005-2008: Enterprise, Opportunity, Fairness", which sets out our spending plans. Members have also had time to consider the detail of the draft budget, which the committee has already discussed in detail. Therefore, I thought that I might talk more about the overall framework and mechanics. I know that the committee is interested in the mechanics of our net investment target, for example.

One of the more important decisions in the spending review, at least in its longer-term implications, is the step change in net investment that we have been able to secure. We will set out further details in the infrastructure investment plan that we will publish shortly, but I know that the committee is interested—and rightly so—in how we ensure that the money that is allocated for capital spend is spent on capital.

The first control is that, when the spending review outcomes are agreed with each portfolio colleague, we agree a number of conditions that they must meet, such as delivering on the targets that are set out in the “Building a Better Scotland” document, but we also specifically agree with each portfolio colleague how much of their settlement must go on capital. Any changes in the spending review settlements must be agreed with me in advance.

If there are any in-year changes in capital and resource allocations, they are fully reported in the supporting documents to the budget revisions. Again, those are all cleared with finance ministers long before the documents are laid in the Parliament. To complement that process, we will continue to report our net investment plans in the new format that was introduced at the committee's request in the supporting document for the Budget (Scotland) Bill. That means that I am confident that changes to net investment plans can happen only with my approval. I am also confident that it would be easy for the committee to monitor such changes if they were to happen, and I assure the committee that no changes will be made without rigorous examination.

I move on to another matter. In his June statement, my predecessor promised to set out for the committee further details of our new approach to managing resources that are deliberately set to one side for spending in future years. As the convener has said previously, I have written to him with details of the proposed arrangements, but it might be helpful if I give the committee a quick overview for the record.

We are all concerned about the level of underspending in recent years, but if we really want a sensible discussion, both inside Government and with the Parliament, we first need to identify what is genuine underspending. Provision that there has been no intention to spend in the first place is not underspending in that sense. The changes that have been agreed with the committee over the past six months will mean that provision for future spending will no longer form part of our end-year flexibility numbers, so we should see a fall in the EYF total, but the EYF figure should be much closer to our genuine underspend.

Identifying resources held within portfolios to meet future year pressures offers the opportunity

to bring those resources forward into current year spending elsewhere across the Executive. Of course, that is possible only when bringing such spending forward frees up resources in future years that can be used to repay the programmes from which the resources have been borrowed. To take advantage of that opportunity, we are setting up the new financial mechanism that will be known as the central unallocated provision—or CUP for short. Portfolios will be able to store resources that have been set aside for future spending in the CUP. They will receive a guarantee that they will be able to access those resources whenever they need them. In the meantime, however, those resources are available for use elsewhere in the Executive. In effect, that should have the same results as deliberately over-programming, where we are already sure of emerging underspends. Committee members may wish to discuss that in more detail with Tavish Scott when they meet him next week in Cupar, but further details are given in the supporting document to the autumn budget revision, which was laid on 4 November.

I raise the issue quite deliberately, even though I said that I wanted to focus on the spending review, because it links to another significant decision taken in the spending review, which was dramatically to reduce the size of the central contingency fund. In the annual evaluation report, we set a contingency fund of £180 million for 2005-06, but members will see that that has been reduced in “Building a Better Scotland” to £10 million for 2005-06, £15 million for 2006-07 and £41 million for 2007-08. That was necessary to fund the increases to front-line services that were announced on 29 September. I recognise that those are small margins to deal with unforeseen eventualities without a mechanism such as the central unallocated provision. That is not to say, of course, that the central unallocated provision increases our total resources. It does not. However, it provides a clearly identified source of provision that can be utilised in certain circumstances.

I also want to draw to the committee's attention the total spending that we have announced for the spending review years. In the debate on the statement on the spending review, it was alleged that we have no control over those totals other than by adjusting business rates and that we were simply allocating out our Barnett consequentials. It obviously goes without saying that Barnett provides the lion's share of the budget, but there is more discretion about the total resources released to portfolios than is at first apparent. I have already mentioned the trade-off that we have to make and how much we keep back in the contingency fund.

The committee will also be aware that, last September, my predecessor decided to set aside around £350 million of additional resources, first

arising in 2002-03. In the spending review, we had to take a view on the right time for those resources to be released, so a detailed comparison with the United Kingdom spending review, which was published in July, would show that our departmental expenditure limit is more than £100 million higher in 2007-08 than would be available from Barnett alone. Again, members will be aware that certain portfolios have received increases in their 2005-06 budgets, while the UK spending review brought us only an additional £8 million in that year. We can do that because we decided last year to spread those windfall resources from 2002-03 across the life of the session. The increase in net investment means that higher spending will bring benefits for many years to come.

I realise that there are many other issues that the committee may want to discuss and I shall do my best to answer any questions. If you feel that it would be helpful, convener, I would also be happy to talk more about the process that underpins the delivery of the spending review itself. I hope that the committee will accept that, as I said at the start, we may not be able to answer all the questions on every portfolio settlement and on the detailed aspects of the review, but if we cannot answer those questions this morning we shall respond in writing as quickly as we possibly can.

10:15

The Convener: Thank you. Is it possible to give us any clear indication as to when you expect the efficient government announcement to be made? I presume that we are talking about before Christmas.

Mr McCabe: It will undoubtedly be before Christmas. At the latest, it will be early December, but we are in contact with the office of the Minister for Parliamentary Business in order to secure the appropriate time. I stress again that I do not want external debate to overtake parliamentary scrutiny, and I think that that is what the Finance Committee and the Parliament itself would expect.

Alasdair Morgan (South of Scotland) (SNP): I wonder whether we can get more explanation of the CUP mechanism. If I tell you in simple terms how I understand it, you can tell me whether I am right or wrong. Effectively, some departments are perhaps postponing spend that they might have undertaken, and that money is therefore available for other departments to bring forward spend that they were going to undertake, so it is a swapping of priorities between departments. Is that a fair summation of it?

Mr McCabe: My analogy has been that it is like a bank. People are allowed to deposit in that bank, in specifically defined circumstances, but they

have a guarantee that those resources will be made available to them when they need them.

Alasdair Morgan: If that is the case, how can we also use that bank as a cover for contingency? It strikes me that, if some unexpected event happens and you have to use money out of the CUP to cover a contingency, what a department has put in the bank will no longer be in the bank, because you will have spent it on something that you did not expect to happen. How does a department get that money back if it has been spent?

Mr McCabe: As is the case with any bank, if all the customers turn up on the same morning and ask for their money back, there is a problem. However, we do not anticipate that happening.

Alasdair Morgan: Other banks depend on other customers coming in through the door to put more money in, but you have a fixed number of departments with fixed budgets. The money in the CUP is there, but nobody else is going to turn up to put money in. If money is spent from the CUP on a contingency that, by definition, you did not expect and was not planned for, how is that covered?

Mr McCabe: It is covered by the fact that it is a rolling programme, so there will be calls on the CUP at different times and there will be resources sitting in there at any one time. Obviously, we shall manage the CUP and perhaps take a view from time to time on what is an appropriate amount to have in it, and there may be times when we close it for entries, but we shall assess those things as time passes. However, we know that the nature of departments delaying expenditure for specific reasons means that the expenditure will be there for use across the Executive at the most appropriate time.

Alasdair Morgan: I would like to explore the mechanism by which departments decide to delay expenditure. When the budget is drawn up, all the committees examine it in good faith, and I presume that departments come forward in good faith and say, "This is what we intend to spend during certain financial years." At what stage subsequent to those discussions is the decision made not to spend the money but to put it into the CUP? How will that feed into the budget process? The committees clearly form an opinion based on the figures in the budget, which say that a department will spend a certain amount in certain areas. Subsequent to that, a department may say, "Well, we're not actually going to spend that. We're going to put that into the CUP."

Mr McCabe: I shall ask Richard Dennis to say something about that in a moment. However, I think that there is an important principle at issue; we should not be asking Parliament to vote on

resources that we know up front will not be used in that year. Our approach will add to the transparency of the budget process, which is one of the things that we are trying to achieve.

Richard Dennis (Scottish Executive Finance and Central Services Department): The situation should be apparent from the supporting documents to the various budget acts and revisions. I know that the committee will not yet have had a chance to look at the supporting document to the autumn budget revision, but that document details the fact that portfolios are transferring into the CUP about £170 million from the money that they previously asked Parliament to vote on. They are doing that because at this point in the financial year they have a much clearer idea of how much progress will be made with capital projects. The portfolios have offered local authorities resources for specific projects and they now have a clearer idea from local authority returns whether local authorities would like to have the money this year or next year.

It may be that in future, when a portfolio deliberately builds up a pot of money over a number of years—for a situation like the Glasgow stock transfer, for example—that portfolio will be able to put the money into the CUP at Budget Bill stage. We will report both what is in the CUP and any transfers to or from it through the supporting documents to the budget revisions, so the Finance Committee—and other committees—will be able to keep a finger on exactly what is going on.

The Convener: If there are significant changes we would get regular reports through budget revision documents. That would be the route of accountability for the CUP.

Richard Dennis: Yes, just like for all other transfers within and between level 2 figures.

The Convener: Would that mean that we might have to take budget revisions more regularly than has been the case up to now?

Richard Dennis: I do not know whether you have noticed, but, unfortunately, budget revisions have been becoming more regular over recent years. However, I do not foresee the need for them to become even more regular. The process is new so it will be interesting to see how it develops, but portfolios have the chance to consider the matter at the start of the year with their initial budgets. They will know then whether they are building up a pot of money for a big commitment like stock transfer. When the portfolios draw down EYF in the autumn budget revision, which is effectively what is going on this year, they have a chance to look at all their budgets again to see how much of their EYF they genuinely need. That gives two set points when they need to focus on all their budgets and

establish what provision should go into the central unallocated provision because it is unlikely to be used in that year.

The Convener: You talked about the CUP in the context of capital moneys, but there are other sources of underspend—in particular, when revenue programmes are slow to get into top gear. Is it possible for departments to park resources that are freed up in that way in the CUP or is it purely a capital mechanism?

Richard Dennis: Departments will be able to park resource provision in the CUP. We would want to be clear about the reason why a department says that the resource provision will not be used in a particular year. If it turns out that the department has just been given too much in its original budget, I am sure that the Minister for Finance and Public Service Reform might want to consider reallocating the provision, so we need to keep a careful eye on the resources that are being put into the CUP and on why they are being put there.

The Convener: Is there any limit on the amount of money that a department could put in the CUP? Is that, in effect, a decision for the Minister for Finance and Public Service Reform in conjunction with the departmental minister?

Mr McCabe: We will take a view on that as time passes. We may, from time to time, place a limit on the amounts involved.

The Convener: The committee would be interested in the mechanics of that process and the separation of treatment of resource and treatment of capital.

Richard Dennis mentioned that departments are transferring £170 million into the CUP. Will that be the normal figure? Are there any projections for how much money departments might put into the CUP?

Richard Dennis: It is hard to say. I suspect that the figure will vary quite a lot from one year to the next, and I guess that there is some suspicion on the part of portfolios that if they declare to the centre that they have spare money, the centre might acquire that money. We need to establish the credibility of our guarantee that the money will be available to portfolios. If you were to look back over the past few years, you would see that we are trying to isolate the money that we have been reporting to the committee as end-year flexibility under the category of provision for future spend, which has tended to be between £100 million and £200 million.

The Convener: Looking back over the past couple of years, that mechanism was used when resources were transferred from water budgets to the health budget. I think that £80 million went to

health, but it then turned out that the money was not used by the health portfolio. What mechanisms will you impose on departments to ensure that they bid for money from the CUP or transfer money into the CUP only on a realistic basis?

Mr McCabe: There will have to be in-depth discussions with departments when they make an application to put money into the CUP. As time passes we will develop the ways in which we scrutinise applications and the mechanisms that we employ. We would be happy to share our thinking with the committee as those mechanisms develop.

The Convener: Would you allow departments to take money from the CUP in advance of allocations only if you were certain that they could repay it from their existing allocations?

Mr McCabe: Yes. Obviously, such an approach would free up resources in future years. However, we would have to be confident that they could repay it.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): I accept the view that we should not go too much into the detail of Professor Bramley's report, which will go to the Local Government and Transport Committee. Nonetheless, the minister raised his unhappiness with some of the comments about Professor Bramley's report that were made by Alasdair Morgan and Brian Monteith in the press today. Would it be possible for the minister to explain to the committee why he was unhappy about those comments and which aspects of them he was unhappy about?

The Convener: I am at a disadvantage, as I am sure are other members, as we have not all seen the press articles that are being referred to.

Mr McCabe: The press article that I was referring to contained unfounded speculation about the reasons for delaying the publication of the efficient government plan. That is separate from the views of Professor Bramley, who I think has speculated—I have no idea what his speculation is based on—that council tax rises may have to be in the order of 15 per cent.

Mr Brocklebank: That is the gist of a report in *The Scotsman* today, in which Brian Monteith is quoted.

Mr McCabe: Mr Monteith is quoted in several papers today, because he tends to be that kind of individual.

Mr Brocklebank: Are we allowed to ask some questions on the issue, convener?

The Convener: Part of the problem is the process, as the Local Government and Transport Committee will take the lead on those issues. I understand that the Minister for Finance and

Public Service Reform is to appear before the Local Government and Transport Committee today. I am not anxious to open up those questions in this committee. We can deal with our own business.

Mr Brocklebank: I will ask some other questions later.

John Swinburne (Central Scotland) (SSCUP): Am I right in saying that the CUP process gives the minister a degree of elasticity and that it is of benefit to us as it gives us the chance more readily to follow the paper trail of where the money goes, how it gets back and so forth? The process seems to be more enlightening than the previous method and it will be interesting to see how it eventually operates. Does the minister agree that that is the main purpose of the CUP?

Mr McCabe: I agree entirely with your comments. The CUP is about flexibility and trying to ensure that we utilise the maximum amount of resources in the current year. It is also about trying to have a lot more transparency in those arrangements. The process assists parliamentary scrutiny; it also assists the committee in its scrutiny of these matters. We will learn from experience. It may well be that the committee has a view to express at some point in the future. We will listen to its view and, where possible, take it on board.

The Convener: I will move on to talk about the concessionary bus travel scheme, as it is an issue that we identified as requiring some clarification. Our understanding is that the current scheme, which is available to people over the age of 60 and to disabled people, is made up of an Executive contribution of £10 million and local authority spending, in 2002-03, of a further £65 million. The proposals in the budget document suggest that a further £196 million is being invested over the financial years 2006-07 and 2007-08. That is linked in with the extension of the scheme, but it is not clear to me how much of the additional amount is directly associated with the extension of the scheme and how much is, if you like, a re-basing of the existing scheme? Can you enlighten us on that issue? How much of the additional amount relates to the existing scheme becoming more expensive and how much of it relates to the new provision that is being made?

Mr McCabe: I am not sure of the exact split. I will ask one of our officials to try to supply more detail. I am sure that an element of the additional amount takes care of the increasing cost of the scheme, but that the vast majority is to do with the expansion of the scheme.

Richard Dennis: I am sure that that is right. I apologise for the fact that I am not happy to offer the committee the exact split now. As members

will know, the concessionary fares scheme depends a lot on negotiation with local authorities and the bus companies. That process is not yet finished.

The Convener: Obviously, it would be interesting to see the figures when we can have them.

I want to ask about the value-for-money exercise that will be engaged in and about mechanisms for regulation. We are committed to putting the scheme in place and obviously negotiations are going on. What mechanisms will the Executive put in place to ensure that the negotiations deliver value-for-money arrangements, given that in certain areas bus companies presumably have a monopoly or semi-monopoly of provision?

10:30

Mr McCabe: I think that a series of audit arrangements will be put in place to try to ensure that we have a proper handle on value for money and that bus companies do not exploit the scheme in the pursuit of excess profits. Those arrangements will be developed as time passes. Richard Dennis might want to provide more detail.

Richard Dennis: At this stage I just want to say that the Minister for Transport will make a separate statement on the matter shortly, which will set out fuller details.

Ms Wendy Alexander (Paisley North) (Lab): I want to mention fraud in the scheme, which has arisen locally. I do not think that the minister can address the matter today, but I want to lay the matter on the table. Perhaps someone could write to the committee.

I understand that the operator of a concessionary fares scheme receives payments that are remitted against journeys taken. The money is paid by local authorities and the Scottish Executive, which jointly contribute to the scheme, as the committee's paper describes. A difficulty that nobody could have anticipated—but which we need to address—is that some unscrupulous operators claim that journeys have been taken when they have not been taken or, more important, they issue far more tickets than can be accounted for by journeys taken.

I have tried to take up the matter, but local authorities and the Executive say that it is not their responsibility. Technically, fraud by an individual operator is a matter for the UK traffic commissioner, but the commissioner's office does not regard the matter as being its responsibility either. The passenger transport authorities say that the matter might be their responsibility but, of course, they have no direct interest in the schemes. The Executive and local authorities pay

money out, but the responsibility for policing schemes rests with a UK body and the passenger transport authorities, which have no direct interest in the effective administration of schemes. The schemes are hugely successful and the situation could not have been anticipated, but a difficulty arises in that the bodies that pay out money are not responsible for policing fraud. Perhaps in due course, after the Minister for Transport has made his statement, the Executive could write to the committee with an assurance that it is considering the matter.

Mr McCabe: That point was well made. We share the committee's concern about fraudulent use of the concessionary fares scheme. The Minister for Transport will shortly announce details, but it is important that I, as Minister for Finance and Public Service Reform, engage in discussions about how the system can be buttoned down to ensure that the minimum opportunity for fraud exists. I was not aware that the problem was being bounced round the system in the way that Wendy Alexander described. That is a matter for concern, which necessitates further examination and discussion with the Minister for Transport.

The Convener: There is a need to put in place a regulatory mechanism that will ensure that the scheme is properly operated.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I want to return to the CUP and the efficiency savings that the minister expects. No doubt the details will come out in the review; I understand that the minister might say that we must wait for that. However, on capturing efficiency savings so that money can be returned to front-line public services, will the CUP provide a vehicle whereby efficiency savings within central rather than local government can be effectively deposited, so that there will be transparency about where cash savings are made?

Mr McCabe: The rationale behind the efficient government process is to try to ensure that resources that are freed up are reinvested in front-line services as soon as possible. Clearly, there might be occasions on which a department says, "We would like to do something in the short term, but it is not possible for a variety of reasons." We would consider such a situation, but we are keen to ensure that resources that are freed up are reinvested in the delivery of front-line services as soon as possible.

Jeremy Purvis: Will the process be transparent, so that we can ascertain where efficiency savings have been made, and learn about better government? You will know that the UK Government's spending review required every department to publish efficiency technical notes by the end of October, so that there would be

transparency about efficiency plans within each department's administration budget. Can you give a commitment that the Scottish system will be equally transparent in relation to savings in the administration budgets of each Scottish Executive department?

Mr McCabe: We are perhaps in danger of drifting ahead of the announcement on efficient government, but I can make a general statement of principle. I want to ensure that the arrangements around securing better efficiencies in the public sector are transparent in a way that satisfies the committee, the Parliament and external commentators.

Jeremy Purvis: The programmes in relation to which moneys will be able to be deposited in, and later withdrawn from, the CUP will typically be capital programmes, such as Scottish Water programmes that are delayed for one reason or another. How will you monitor inflation in the public sector and, for example, the construction industry, which might mean that a capital programme for which moneys were deposited turns out to be more expensive on draw-down 18 months later?

Mr McCabe: I would expect departments to take account of future trends when they decide how much money to place in the CUP. The issue that you raise would obviously be a feature of the discussions that will take place when requests are made.

Jim Mather (Highlands and Islands) (SNP): According to the trailed speech to the Confederation of British Industry, Gordon Brown—the Chancellor of the Exchequer—is poised to say that the migration of UK jobs to China and India is inevitable. At last week's meeting of the Finance Committee, Professor David Bell told us that he could see in the draft budget no improvement in Scottish competitiveness. What will the minister do to address such concerns from an academic of Professor Bell's standing?

Mr McCabe: I think that the CBI also accepts that there will be a drift towards certain economies in the world because of those economies' changing nature and current competitive edge. Of course, over time the competitive edge of such economies might alter; I think that we all accept that that is a dynamic process in a world in which we have a free market. It is obvious that there will be movements of employment opportunities.

In this country, a number of indicators reassure us that we are taking a strategic approach to growing our economy. As members know, the spending review was predicated on the number 1 priority of growing Scotland's economy and improving our competitiveness. The framework for economic development in Scotland, which was established in 2000, has recently been refreshed.

The smart, successful Scotland initiative has also recently been refreshed and its annual report measures performance since the initiative was implemented. We have put in place measures that indicate to us how well we are doing on matters that are under our control in Scotland.

Jim Mather: I hear what you say and I note the FEDS; the smart, successful Scotland initiative; and the building a better Scotland initiative. However, the message that came across from Professor Bell was that he could see nothing in the draft budget that would beef up Scottish competitiveness. Also, we are hearing more evidence that backs up concerns that although we have the buzzwords and the initiatives, we do not have the key top-level targets on Scottish economic growth that would signal to investors—whether indigenous or foreign—that we are serious about the matter. That is a serious gap in our armoury.

Mr McCabe: As I said, we will use all the powers that are available to us in the areas that are under our control to grow our economy. Obviously, we will also work with the UK Government to maximise the conditions for economic growth.

I do not agree with the analysis that says that there are in the draft budget no indications that there is an opportunity to grow the Scottish economy and to become more and more competitive. I find it strange that that analysis does not comment on the economic stability that we enjoy in the United Kingdom. Neither does it comment on the facts that we have the highest employment levels for a generation: that we are highly regarded around the world for our economic success; that more of our young people are going on to further and higher education than at any time in our history; that we are defeating some of our worst killer diseases; that our people are living longer than ever; that our elderly people are better protected from the worst effects of cold than at any time in our history and have freedom of movement through concessionary travel, or that our children have unprecedented access to pre-school education. Those are all indicators that suggest that we have the platforms for a more competitive economy that can grow.

Capital investment is expanding massively and the infrastructure pillars give us the platform for others to take those opportunities and allow our economy to grow. All those things assure us that we are taking care of the fundamentals that will ensure that our economy can grow and compete.

Jim Mather: I understand the list that you have just produced, but my sadness is about the unwillingness to disaggregate Scottish and UK data—particularly on growth—and to explore why we have such low pay in Scotland, why we have

had low growth over 30 or 40 years and why we have a declining population. The Executive is not providing, neither separately nor with the UK Government, the macro targets that will manage the economy forward, nor does BABS contain meaningful targets drilled down to departmental level—with the honourable exception of transport. Most targets in BABS are unspecific and immeasurable or go way beyond May 2007, when the Scottish people will call the Executive to account.

The Convener: Although we are drifting substantially away from the budget and are moving into an inquiry into growth, I will let the minister answer the question.

Mr McCabe: I do not accept the analysis that most targets in BABS are not directly measurable. If it would help the committee in strands of its other work, I would be happy to go through the document and to demonstrate how a great many of the targets in it are measurable.

Jim Mather: I would welcome that.

Richard Dennis: We have yet to publish the technical notes, but they will—when they are available—show that every target in BABS is measurable and that we have set clearly defined criteria to measure whether each is being met. I apologise for that information's not yet being available to the committee; it will be available shortly.

The Convener: I welcome that.

John Swinburne: As far as my generation is concerned, a national concessionary fares scheme would be a tremendous leap forward. Will it include ferries as well as bus travel? Does the minister agree that abuse of the system—which is currently rampant, by the way—whereby rogue bus companies travel empty but charge plenty to local councils, can be eliminated only by extension of smart cards among senior citizens so that there is no abuse of the system and there are no false applications for reimbursement? Is the minister placing enough emphasis on implementing the smart card aspect of the concessionary travel scheme in order to prevent abuse?

Mr McCabe: You would expect me to say in the strongest possible terms that we will do all that we can to avoid abuses of the scheme, simply because such abuses are unacceptable. We also try to make it clear at every opportunity that we are determined to sweat our assets—that is, to make maximum use of the available resources. If an operator in a concessionary travel scheme is making unjustified profits, that takes money away from other areas of the public sector in which we could invest it, so it is in our interests to resolve such difficulties. The smart card idea is a contribution to that task but, as I said in a previous

answer, we will be constantly vigilant for ways to ensure that there is limited or no opportunity for fraudulent use of the scheme. Such abuse is unacceptable. We will continue to say that, but we will do more; we will continue to search for mechanisms to minimise any such activity.

Mr Brocklebank: I will try to develop the argument that Jim Mather was making in the context of the draft budget. Does the minister agree that, before wealth can be distributed or redistributed, it must first be earned? In that context, it caused me concern to hear Professor David Bell talk last week about the potential for the public sector to crowd out the private sector due to large increases in public spending. Is the minister able to explain how the draft budget will start to reverse that trend? Does he believe that it is right that the Executive and he—as Minister for Finance and Public Service Reform—should try to change the balance between the private and public sectors?

10:45

Mr McCabe: It is right to be always vigilant about the split between the public and private sectors, but that debate is more diffuse now than ever. A clear split between the public and private sectors no longer exists because many of the activities that are generated by public sector investment are now carried out by the private sector. Contracting out and public-private partnerships generate activity within the private sector, so the rigid definitions that were relevant in the past are not as relevant in the modern integrated economy that we have in Scotland, and which we are determined to continue to try to produce.

There are a number of things of which it is worth reminding ourselves. Some 60 per cent of public sector revenue budgets goes directly on wages and salaries, which are in turn recycled into consumption and investment in the market. The matter is, therefore, not as simple as saying that the public sector is of a certain size and that that automatically denies opportunity to the private sector. Clearly, that does not happen. As I said, because of the way we work now, public procurement directs a tremendous amount of activity towards the private sector.

It is legitimate to say that the possibility exists for the public sector to crowd out private sector initiative and enterprise, but our economy is far more sophisticated than that simplistic analysis. We must consider a variety of factors before we decide simply that public is bad and private is good.

Mr Brocklebank: Total spending next year is planned to rise by 6.7 per cent. Does the

Executive, or do you as minister, have a view on how much of the increased spend will result in increased output and how much will feed through to an increase in the cost of inputs?

Mr McCabe: The Atkinson review will be extremely useful in informing us about outputs and productivity in the public sector. We very much look forward to the outcome of that review and to examining ways in which it can guide us in the pursuit of greater efficiencies within the public sector. The report of that review will come out in the reasonably near future and will be a useful guide to us.

Alasdair Morgan: Leaving aside the split between the public and private sectors, there is always a danger that increased expenditure will put pressure on the supply side and that costs will go up, which obviously diminishes outputs from any given expenditure. Do you have economic models that predict what will happen as a result of the record Government expenditure? Do they tell us anything about what effect that expenditure will have on costs?

Mr McCabe: My understanding is that such models are being looked for around the world, but I do not think that any have been found yet. I do not think that any economies—not even very successful economies that, among their successes, have relatively large public sectors—have found those models. Perhaps my colleagues wish to comment on that.

Richard Dennis: Some of the work that we have done in preparation for the infrastructure investment plan—another document that is not yet available to the committee but will be published shortly—looks across Government at all the different projects, such as large investments in transport infrastructure or in school rebuilding and maintenance, at industry's capacity to deal with them and at whether we are starting to bite into supply-side constraints. The model suggests that we are not doing that but that industry can cope if we give it the certainty over the timespan to gear up for the sort of programmes that we expect it to deliver.

Mr McCabe: That is an important point. An infrastructure investment plan spread over 10 years that gives industry the chance to see where opportunities will exist in the future and—as has been said—to plan appropriately to take maximum advantage of that will be a useful and interesting development in delivery of our targets and the ability of the private sector to take advantage of the opportunities that public sector investment presents.

Mr Frank McAveety (Glasgow Shettleston) (Lab): How did we arrive at the figure of £10 million for the 2005-06 contingency fund? The example of the past few years suggests that the

solution would probably be a figure of £200 million, as Richard Dennis identified.

Mr McCabe: As I said, we took strong cognisance of the creation of the CUP. Clearly, we would not have arrived at the £10 million figure had we not decided that the CUP would be a backstop. I hesitate to use the word “prudent” in this context because it tends to be used regularly these days. However, if the CUP had not been created, we might have taken a different view on the size of the contingency.

The Convener: I want to ask about health issues. Andrew Walker at the University of Glasgow raised in a recent report a number of issues about the impact of planned changes in, for example, consultant and general practitioner contracts and planned patterns of distribution in health. There are also concerns about the size deficits in certain health boards—for example, Argyll and Clyde NHS Board. How can that situation be turned round? How can we get better management in the health service? What plans do you, as the Minister for Finance and Public Service Reform, have to ensure that we do not end up with unplanned and serious financial consequences of decisions?

Mr McCabe: Obviously, the day-to-day detail and development of the plans to tackle those situations are within the responsibility of the Minister for Health and Community Care. However, it is important that I, as Minister for Finance and Public Service Reform, engage in an on-going dialogue with the Minister for Health and Community Care to ensure that we address the concerns to which the convener rightly alluded. I will be interested to examine health boards' claims about the appropriate level of funding for the consultant contract and for the implementation of our GP contract, specifically in relation to out-of-hours services. I would be interested in liaising with the Minister for Health and Community Care to examine those situations in far more detail.

The Convener: I will pick up on Ted Brocklebank's point about inputs and outputs. Concern has been expressed that additional inputs in terms of financial resources are not resulting in increased outputs, either through better productivity or in improvements in the service. Do you have concerns about that? If so, will you discuss them with the Minister for Health and Community Care?

Mr McCabe: I mentioned a moment ago the Atkinson review; it will be a useful tool in measuring outputs and productivity in the public sector in general, but more so in health than in any other area. However, I agree that it is important to put on the record that there are legitimate concerns here in Scotland about the size of the investment in the health service and what we get

back from that. As everyone is aware, we spend more per head in the health service than do other areas of the UK. We have more nurses, consultants and doctors per 100,000 of the population than any other area of the UK. It is critical that we take the appropriate measures and give the reassurance that we will start to see real returns from the size of the investment in our health service. I want to put that in context. It is important for people in Scotland to hear that being said and to be convinced that we are serious about our intentions. To be fair, it is also important for that to be heard by people in other areas of the UK who will—perhaps rightly—express concern about the level of expenditure in Scotland. However, the issue is not so much that there is more spending in Scotland. There are well-documented reasons for the higher expenditure per head here, which I would be more than happy to defend. People are legitimately concerned because our rate of improvement is not commensurate with our expenditure.

It is important to say to our colleagues in Whitehall, who have done such a fantastic job in supplying resources for our national health service, that we are determined to ensure that the record levels of investment that the chancellor has made available to our health service will result in greatly improved performance. I am absolutely at one with that drive and I am convinced that we need to reassure people in other parts of the UK that we are serious about that. I know that that is a big task for my colleague the Minister for Health and Community Care as he takes on his new responsibilities. I am aware of that from my previous portfolio as the Deputy Minister for Health and Community Care.

I have been deliberately robust in the comments that I have just made, but it is important to put matters in context. I mentioned earlier that we are making substantial progress in defeating some of the major killers that have impacted so badly on our society's health. We are determined to invest in health improvement measures. There will be an announcement later this week about the way in which smoking has for far too long impacted on our society in Scotland. I am sure that that announcement will demonstrate our absolute determination to tackle such issues.

I said on many occasions when I had my previous portfolio—I hold steadfastly to the same view in this portfolio—that here in Scotland we have demonstrated an ability to be world class at dealing with the consequences of serious disease. What we need to do now, however, is to be world class at dealing with the causes of serious disease. That is where we will make our progress in the national health service.

The Convener: We would certainly welcome that, but there are two particular issues of concern.

One is the sustainability of health boards that have deficits that either pile up year on year or remain relatively unchanged and are not cut down as the money rolls through. The second issue is whether there are sufficient mechanisms in place to anticipate the likely cost of certain decisions, whether legislative or manpower-based decisions. Certainly, particular health boards seem to be concerned about the consequences for them of, for example, the consultant contract and other initiatives. The committee would welcome any information that you—perhaps in conjunction with the Minister for Health and Community Care—can give us about how those particular problems might be addressed.

Mr McCabe: It is in the interests not only of the Minister for Health and Community Care and me, but of the Executive and the country that we examine those issues. As I tried to indicate earlier, we would be interested in examining in much more detail the concerns that have been expressed, and in assessing how legitimate are concerns about funding of new contracts and new developments in the health service. However, we must say to people in Scotland—particularly to the people who manage our health services—that there is not a bottomless pit and that they have received significant amounts of additional resource. Their management skills must in part begin to demonstrate much more clearly to people in Scotland that there is a meaningful return for that investment.

Jeremy Purvis: I have two questions, the first of which is on demonstrating meaningful return. On Scottish Executive administration, page 167 of the budget document—in the final two sentences under the heading, “What we will do”—states:

“Over the Spending Review period resource expenditure on the Executive's core administration will remain flat—a real terms cut of more than 5%. This will ensure that the Executive gives a lead in achieving efficiency and prioritising activity in order to free up money to be spent on other public services.”

Table 2.3 in the UK spending review shows that every UK Government department has savings that are greater than 5 per cent. In fact, none has savings that are lower than 5 per cent. Have you a comment to make on that, minister?

Mr McCabe: My comment is that we are determined to do what we believe to be most appropriate at the time for the situation here in Scotland. Underpinning that is our belief that there is no limit to our ambitions and that we will achieve our targets, which are minimum targets. We hope that our ambitions will take us beyond those targets.

11:00

Jeremy Purvis: In the UK spending review, the average real-terms growth between 2005-06 and

2007-08 for the total administration budgets of UK Government departments is -6.2 per cent. Is it the Executive's ambition that its efficiency savings will reach or surpass that figure?

Mr McCabe: As I said, I am determined not to get into a beauty contest with other areas of the United Kingdom. We will do what is right for Scotland. I am confident that, as time passes, people will see that we have achieved considerable success. People might then decide that we have been a beacon for other areas of the United Kingdom or they might form other views, but I will be happy if they decide that we have been a beacon. However, I will not get involved in a beauty contest with other areas; I am here to do what is best and what is achievable for Scotland. We will set the conditions that will lead us to even greater efficiencies in the future. It is for politicians in Westminster to examine the veracity of the information that is contained in the UK spending review.

Jeremy Purvis: I am sure that MPs will scrutinise the efficiency technical notes of each Government department to see exactly how those targets will be reached. Given the statement in our budget document that the targets will ensure that the Executive "gives a lead", I simply wanted to point out that the targets for every other Government department went beyond those that the Scottish Executive has set.

Richard Dennis: One needs to compare the starting points before looking at the projected percentage savings. As a percentage of programme budget, the Executive's administration budget will remain well below the Whitehall average even after the proposed UK efficiency savings that were announced in the spending review.

Jeremy Purvis: The increase in Scottish Executive staff costs that is outlined in table 11.03 of the Executive's budget document suggests that the efficiency targets for UK Government departments are better. However, I take Richard Dennis's point about starting points.

My next questions are on the supporting people budget in the communities portfolio and the helpful letter dated 29 October that the minister sent to the committee after his first evidence session. Many local government responsibilities for community care are funded by the supporting people budget, which is facing a real-terms reduction. However, many of those responsibilities, such as the provision of support for adults with learning needs and of support within care homes, are to become core activities for local authorities.

First, can Richard Dennis help me to understand why there is a difference between the figures that

are given for the supporting people budget in table 7.03 and the actual figures, which are given in the footnote? The footnote explains the discrepancy between the two sets of figures by stating that the difference

"will be made up by a combination of agreed budget transfers and planned underspends."

I am not certain what those are.

Secondly, if some local government responsibilities are to become core activities under the local government community care settlement for spending review 2004, why is the budget head for supporting people diminishing?

Mr McCabe: Richard Dennis will deal with the detailed questions about table 7.03. By their very nature, such questions are hard to pick up on immediately so he will respond later in writing if that is necessary.

On the general point, we will announce details of the local government settlement in the near future. I am confident that the provision that will be made for community care, nursing home fees and the like will be well regarded.

Jeremy Purvis: The budget document suggests that there will be a reduction of £50 million in the supporting people budget between 2004-05 and 2007-08.

Richard Dennis: The technical answer to your first question should help to explain that a little. The supporting people budget is currently part of annually managed expenditure rather than part of DEL. The Treasury provides us with whatever our AME forecast—unfortunately AME, despite what its name might imply, is actually forecast every six months—suggests will be required. For example, the Treasury will increase the Scottish block by whatever amount is forecast for payments under the common agricultural policy.

We had expected the supporting people budget to move into DEL during the spending review, but we now expect that to happen in the pre-budget report. When that happens, any changes to the supporting people budget figure will hit the rest of the Scottish block, as Scottish ministers will have the opportunity to either increase or decrease the supporting people budget once it is within DEL. The expectation is that, had the supporting people budget already moved into DEL, Scottish ministers would have decided to increase that budget. However, we cannot yet show clearly in our budget documents where those increases will come from, because the supporting people budget is currently a different sort of money. Actually, Scottish ministers plan to spend the figures that are given in the footnote, but the figures in table 7.03 correspond to the AME forecasts, which are the figures that we need to reflect both in our

Whitehall estimates and in the budget bill in due course.

Jeremy Purvis: That prompts me to ask two supplementary questions.

The Convener: You may ask only one.

Jeremy Purvis: Perhaps I can ask one supplementary in two parts.

I understand that the Minister for Communities will make a decision this week on the supporting people budget, which the budget documents show as declining. Is it not rather precipitous to make a decision at this stage, given that there are likely to be further discussions within the Executive once the supporting people budget has been moved from AME into DEL? The knock-on effect of this week's decision is that local authorities might have to make decisions on staff and programmes. Given that such projects deal with the most vulnerable people in society, local authorities require absolute certainty on those budgets, yet there seems to be uncertainty at the centre, not only on which budget head the provision will come under but on what the final budget will be.

Richard Dennis: For all those reasons, it is important that people have a clear idea of the budget that they will work to. That is why I think that it is not premature for the Minister for Communities to make the announcement at the time that he has chosen. As the classification of the supporting people expenditure is not under our control, and as we expect the Treasury to change it, adjustments may need to be made later, but we must give the best figures that we have available so that people can start planning.

Mr McCabe: I agree that absolute certainty is required for such budgets. I am sure that the Minister for Communities will make it clear that he will also look for absolute certainty about how those budgets are used and what we will get in return for the money.

The Convener: Presumably, some sort of transitional arrangement is required.

I want to pick up on two points that follow on from Jeremy Purvis's earlier question. Perhaps the most interesting thing that David Bell pointed out in his evidence last week was that local authorities will receive a real-terms increase of £163 million in funding for care of the elderly. That is a pretty substantial increase in local government grant-aided expenditure. The minister is obviously well aware of the issues surrounding the provision of care for the elderly, of which free personal care is a relatively small aspect. Can he say any more about that?

Mr McCabe: Depending on how one looks at projections for future population growth and demand on such services, one can come up with a

variety of conclusions. It is not for me to contradict what David Bell said, but the Executive is examining the data that are available so that we can do our best in making a proper and adequate forecast for the demands that will be placed on those services.

Many issues will have an impact on that. Over the next 15 years, Scotland will see a dramatic increase in the number of over-85s, but the demands that such people will place on the services is not known. For instance, in 15 years' time, an 85-year-old might be a different type of individual. We need to factor in issues such as whether improvements in local services will generate increased demand. Given the complexity of the issue, I appreciate that different answers can be arrived at depending on what premise one starts from. We are working hard to do our best in making proper provision for the demands that will be placed upon those services.

The Convener: To what extent does the cost of care home support factor into that? Many people feel that it is unfair that there should be a local authority rate and a self-funder rate for elderly care provision. Is there any prospect of that discrepancy being resolved?

Mr McCabe: We will never resolve the dilemma that those in the private sector talk about in relation to the costs that they are required to bear and the input costs that come from local government. Those arguments have been rehearsed time and again over many years. There are those who say that the democratic and reporting requirements of local government all add to the cost of the provision that it makes. I know that the Convention of Scottish Local Authorities, the private sector and the independent sector have examined the costs of care. We will respond to the report that was produced on that subject when we announce the local government settlement figures. It would be inappropriate for me to say more than that at this juncture.

The Convener: Would you allow us to examine that report when it becomes available?

Mr McCabe: Yes.

Jim Mather: I understand what you said about not taking part in beauty competitions. However, surely comparisons involving concrete efficiency targets are important and must be made. Is your efficiency target as ambitious as that which is set out in the Gershon review, both in absolute terms and in terms of its scope? How will you seek comparable or greater gains in efficiency if the £500 million—or is it £650 million?—is less than the UK gain?

Mr McCabe: When we make comparisons, it is important that we compare like with like. Tragically, for a variety of reasons, people do not

always do that. I do not want to go any further towards answering the rest of the question at the moment. As I indicated, we will shortly announce the findings of the efficient government review. At that point, we will demonstrate how we can best respond to some of the questions that Jim Mather has posed.

Ms Alexander: I want to ask three brief factual questions. The first question relates to the small print of level 3, so I invite officials to respond to it in writing. The Scottish Parliament information centre highlighted three intriguing budget reductions. The budget for the office of the chief statistician is being decreased by 25.9 per cent over the next three years; the Scottish Executive's training budget is being reduced by 17 per cent in the same period; and the improvement service budget within finance and public service reform is being reduced by 16 per cent in that period. It seems intriguing that the Executive should reduce the budget of the office of the chief statistician, given the challenge of Atkinson and the reductions in the training budget and the improvement service budget. Perhaps someone could write to us on that.

Mr McCabe: Okay.

Ms Alexander: I am acutely aware of the danger of trespassing on areas relating to efficient government plans, so I will not do that. Instead, I will ask about the financial assumptions that are built into the spending review. The Finance and Central Services Department has advised the committee that the departmental budgets in the spending review do not include any of the planned cash savings but that, in contrast, the headline local government settlement includes an in-built saving assumption. Could one of the minister's officials confirm that that is factually accurate?

Mr McCabe: I think that the relevant figure is 2 per cent of the local government settlement. Your understanding is factually accurate, although I think that there is some difference with regard to spending on police, fire and other services.

Andrew Rushworth (Scottish Executive Finance and Central Services Department): The way in which the 2 per cent efficiency assumptions have been applied varies from one portfolio to another. Over the piece, however, a figure of 2 per cent has been assumed in the local government settlement figures. There might also have been some assumption in relation to the health authorities. Otherwise, however, the cash savings are to be retained in the various portfolios.

11:15

Ms Alexander: I accept absolutely the minister's position that Scotland should do the right thing on its own terms and that we should avoid

inappropriate comparisons. My question might be best answered by officials, as it relates to something that would have happened before the minister took up his post.

Paragraph 2.19 of the UK spending review states that the Scottish Executive has announced that it is

"engaged in spending review and efficiency evaluation exercises as ambitious as those in England".

Did the Scottish Executive agree to that phraseology or did the Treasury make it up?

Mr McCabe: I would hate to say that the Treasury ever makes things up.

Richard Dennis: We will get chapter and verse on that for you.

The Convener: Does Ted Brocklebank have a question?

Mr Brocklebank: The area that I was interested in, which related to free care for the elderly, has been dealt with. I am satisfied with what has been said on that matter.

The Convener: There are some fairly substantial increases with regard to higher education. Are there any conditions or expectations associated with those increases or are they simply recognition of the fact that voluntary tuition fees are to be introduced south of the border?

Mr McCabe: I mentioned that more people than ever before are entering higher education. There is no limit to our ambition to improve the educational infrastructure in Scotland. We want to ensure that people are not denied the opportunity to take advantage of the benefits and that they can make themselves far more useful commodities in the labour market. Obviously, within expenditure of that magnitude, we hope that we can expand people's opportunities in further and higher education.

The Convener: As I understand it, there is no expectation of increasing the proportion of people who go into higher education. We are talking about an increase of around £100 million in support for higher education institutions. How much of that allocation is made in recognition of possible lost income if variable fees were to be introduced in Scotland and how much of it is attributable to other factors? Does the Executive have any expectations in terms of the restructuring, reordering or refocusing of higher education or are we simply making resources available to higher education without seeking to change it in any way?

Mr McCabe: Pay and modernisation accounts for a significant amount of the figures that you mentioned.

Fiona Montgomery (Scottish Executive Finance and Central Services Department):

There is money for buildings and facilities. However, connected to that investment is the question of how we can deliver better teaching facilities and better training for tutors and lecturers. Pay and modernisation takes up a fair chunk of the money as well. The details will be worked out with the Minister for Enterprise and Lifelong Learning, who will consider how the Executive's plans can be taken forward with the sector.

The Convener: My concern relates to sustainability. Money has been made available through the spending review process, but it is hard to see how that level of differential resources can be sustained without there being some form of restructuring or refocusing in Scottish higher education. Perhaps that is a question for the Minister for Enterprise and Lifelong Learning rather than the Minister for Finance and Public Service Reform. However, we can see from the financial models that there are some concerns about the sustainability over the longer term of an increase of the order that we are discussing. It would be useful if you could discuss with colleagues in the Enterprise, Transport and Lifelong Learning Department what models they have. We would be interested to find out about that.

Mr McCabe: I am sure that we can do that. As you rightly say, you might wish to ask the Minister for Enterprise and Lifelong Learning the questions that you have posed today, because you are interested in the thinking behind what is going on.

The Convener: I think that we have exhausted our questions to the minister, so I thank him and his officials for coming along. We look forward to a further meeting with you on efficient government, for which we will schedule a date once the statement has been delivered.

Mr McCabe: Thanks very much, convener. I look forward to constructive exchanges with the committee in the future. I appreciate the manner in which exchanges have taken place, and I assure you that, as soon as we secure parliamentary time, we will publish the document in advance of the debate to allow members to participate in an informed way.

Gaelic Language (Scotland) Bill: Financial Memorandum

11:21

The Convener: The second item is consideration of the financial memorandum to the Gaelic Language (Scotland) Bill. The bill was introduced on 27 September 2004 by the Minister for Education and Young People, Peter Peacock. We agreed that we would apply level 2 scrutiny to the bill, which means seeking written evidence and then taking oral evidence from Executive officials. I welcome officials from the Executive: David Brew, head of cultural policy division; and Douglas Ansdell, bill team leader, and Steven Macgregor, bill team member, from the Gaelic unit.

Members have copies of written evidence from East Ayrshire Council, Glasgow City Council, Orkney Islands Council and Bòrd na Gàidhlig. Submissions from South Lanarkshire Council, Scottish Natural Heritage and Stirling Council were sent to members yesterday.

In conformity with our current practice, I ask the officials whether they want to make an opening statement or go straight to questions.

David Brew (Scottish Executive Education Department): If I may, convener, I will just introduce my colleagues, and then hand over to Douglas Ansdell, who is the head of our bill team, to make a few comments about the preparation of the financial memorandum.

Before doing that, I alert you—if you are not already alerted to it—to the fact that the spending review announcement took place just after the submission of the financial memorandum, and that the draft budget for 2005-06 for Bòrd na Gàidhlig provides for new funding of £1.75 million per annum in both 2006-07 and 2007-08 for the implementation of the Gaelic Language (Scotland) Bill. Of the £1.75 million of new funding, £350,000 in each of the two years has been earmarked to offset the increase in board costs associated with its proposed education functions. The remaining £1.4 million in each of the two years has been earmarked as a Gaelic language development fund, to be administered by the board, the specific function of which is to pump prime Gaelic language development and to support the implementation of Gaelic language plans prepared by public authorities.

I hand over to Douglas Ansdell, who can explain further the financial memorandum.

Douglas Ansdell (Scottish Executive Education Department): Let me make a couple of points, following which I will be happy to respond to members' questions.

It might be worth emphasising that the development of Gaelic language plans and a wider Executive Gaelic language policy do not represent an entirely new burden for public authorities. Bòrd na Gàidhlig—the Gaelic development agency or Gaelic board—has operated as a non-statutory non-departmental public body since the beginning of 2003. It has provided advice to ministers on Gaelic language issues and has prioritised Executive Gaelic language development funding. Bòrd na Gàidhlig's grant in aid amounts to £2.3 million in 2004-05.

A number of public authorities have already put in place Gaelic language plans or policies that set out how they will support the language and use it in exercising their functions. For example, Western Isles Council's recent Gaelic policy committed the council to

“enabling everyone who receives or uses”

council

“services ... to do so through the medium of Gaelic or English, according to personal choice”.

Our scheme of Gaelic-specific grants, which has been in place since 1986, has been successful in supporting the provision and development of Gaelic education. That funding, which amounts to £3.7 million in 2004-05, supports Gaelic-medium education activities in 21 local authorities, a number of which have already introduced Gaelic policies in that regard. We must also remember that Gaelic broadcasting currently receives £8.5 million a year.

Those are some examples of the significant level of Gaelic language activity that central Government, local authorities and public bodies provide. The bill seeks to build on those foundations; to secure Gaelic's status; and to bring greater strategic direction to the development of Gaelic in Scotland.

As the committee has noted, the financial memorandum does not provide an overall implementation price tag. That is because considerable Gaelic language activity already takes place and because the development of Gaelic language plans will depend in particular on Bòrd na Gàidhlig's guidance. At this stage, it is not possible to prejudge with appropriate certainty the nature of those plans or, indeed, the bodies that will produce them. The bill is intended to be flexible enough to take account of Gaelic's use across Scotland and the Gaelic board will be expected to work closely with relevant public authorities to agree in partnership the appropriate approach in particular areas of the country. The range of potential costs highlighted in the financial memorandum reflects Scotland's circumstances and draws on the experience of bodies that already make some Gaelic-language provision.

The Convener: The committee might want to note that the responses that we have received from different organisations have now been put into the questionnaire format that we have agreed to adopt as standard. That approach has helped to focus the content of the initial evidence that we have received.

In its submission, Stirling Council has pointed out that, although the costs of implementing the plan have been identified, the on-going costs of modifying services in the light of the bill's provisions have not been. It cannot quantify those costs, because they appear to be demand driven. In other words, if someone requests a service to be made available in Gaelic, the authority will be under a duty to find out how that might be provided. Will the bill allow authorities to decide on the balance of value with regard to the services that can be provided? Under what circumstances will they be able to say that it would not be economical to make such provision?

Secondly, Stirling Council has said that, if we are serious about implementing the policy, what it calls Gaelic development officers will have to be provided in its area to take the initiative and push the policy forward. Again, the financial memorandum does not provide for such a measure. Do you have any comments on those points?

11:30

Douglas Ansdell: The financial memorandum focuses on the costs of core service delivery functions. As far as specialist services are concerned, the range and diversity of public bodies and authorities in Scotland means that we would have to take into account everything from the preparation of forms for the registration of births, marriages and deaths to the provision of health services throughout the country. For that reason, we left the definition of specialist services as a matter for negotiation between Bòrd na Gàidhlig and the public body that the board approaches to draw up a Gaelic language plan. We fully expect the definition to be a matter for negotiation between the board and the public body concerned.

We have mentioned the possibility of a Gaelic development officer, or Gaelic staff, being part of the core functions in the plan. Some authorities—I am thinking of the Highland ones in particular—have Gaelic development officers at present. Perth and Kinross Council also has a Gaelic development officer who, in the main, takes forward Gaelic education issues.

Depending on the number of speakers in various parts of the country and the services that they require, the bill provides for the development of

either a minimal or a fairly robust Gaelic language plan. A facility such as a Gaelic development officer would depend on the level of Gaelic that was used and spoken in the area. If it was agreed between Bòrd na Gàidhlig and the public body that only a minimal Gaelic language plan was required, it is possible that a Gaelic development officer would not be part of the package that was agreed between Bòrd na Gàidhlig and the public body concerned.

The Convener: I am still not clear about the circumstances under which it would be reasonable for a public body to say, "We do not believe that a Gaelic development officer is justified," or for Bòrd na Gàidhlig to say that an officer was justified. You said that the process is one of negotiation. I am looking for some clarity about how that would work.

David Brew: The issue is not one of Bòrd na Gàidhlig forcing public authorities in all circumstances to do things that they are unwilling to do. The purpose behind the provision of the language development fund is to give a local authority—or public authority, although the responses that we received came in particular from local authorities—an element of incentive in proceeding with the development of a plan.

At the end of the day, the appropriate level of service provision will depend on the economic arguments that you have highlighted and on the need to satisfy the demands that might be placed on local authorities by their customers and constituents. We do not expect Bòrd na Gàidhlig to say to areas in which few Gaelic speakers live that they must have a panoply of arrangements that replicates what is appropriate for the Western Isles. The question is very much one of what is reasonable in the circumstances.

The Convener: But where in the bill does it say that? I heard what Douglas Ansdell said about individual choice. Obviously, an individual can make a request in the Borders, Orkney or wherever, depending on where they live. What is the basis for your suggestion that a public authority may take the decision to go for relatively minimal provision, as there are sufficiently few Gaelic speakers in its area? Under what circumstances will public authorities be required to take the more significant approach?

Douglas Ansdell: The bill is—

The Convener: The bill is an enabling bill. I am trying to get at what it says about who has the authority to decide that certain kinds of provision are not economic or appropriate and in what circumstances and on what basis they may do so.

Douglas Ansdell: The bill refers to the fact that one of the criteria in shaping and adopting a Gaelic language plan should be the number of

Gaelic speakers in the area of operation of the public authority. We would expect that factor to be taken into account in developing a plan and by Bòrd na Gàidhlig in its dealings with a public authority.

The details of the plan that would be worked out and agreed would follow the guidance. When we move into the period of enactment of the bill, we will expect Bòrd na Gàidhlig to have prepared the guidance to give advice on core service delivery functions and on more specialist activities. The negotiations on the factors that would be in a Gaelic language plan would be assisted by the possibility that funding is available.

Mr Brocklebank: Before I move on to ask about the submissions, what sums are available at the moment? Leaving broadcasting out of it, you referred to Bòrd na Gàidhlig having £350,000 plus £1.4 million for the Gaelic language development fund. That adds up to £1.75 million. You then talked about £2.3 million being available in grant in aid. Is that a separate sum of money?

Douglas Ansdell: That is the money that the Gaelic board has at the moment. It covers the funding of Gaelic organisations, running costs and the assisting of Gaelic development.

Mr Brocklebank: So we are talking about the board having getting on for £4 million at its disposal.

Douglas Ansdell: Indeed.

Mr Brocklebank: In addition to that, £3.7 million is available to 21 local authorities.

Douglas Ansdell: Yes.

Mr Brocklebank: Right—and that is all outside the area of broadcasting.

Douglas Ansdell: Yes.

Mr Brocklebank: The point that comes through in many of the submissions is that it is difficult for local authorities to work out whether there will be enough money because they do not know what is expected. Places such as Orkney and Shetland where there is absolutely no Gaelic tradition are saying that if they are forced to go down the road of developing a plan, it will cost far more than £10,000. Highland Council's submission claims that the associated costs in the financial memorandum are nothing like enough because it will have to get into such issues as road signage, and Highland Council is an area that would be considered to be traditionally Gaelic speaking.

Orkney, which has no tradition of Gaelic, is saying that nothing like enough money is being put up for the bill, and Highland Council, which has a strong Gaelic tradition, is also saying that. Can you clarify that?

Douglas Ansdell: Certainly. Highland Council already has considerable spend on Gaelic, as you know. It is already moving forward with a programme of road signs and it has a significant Gaelic education programme. The Executive already supports the delivery of Gaelic education in Highland Council area through education money. We would not expect funding for the bill to support Highland Council's current activities; the money will be to support new developments that the council might consider to extend Gaelic language activity in its area.

There are three parts to the answer to your question. First is the existing support for Gaelic education from the £3.7 million that you identified. There is also the activity that is already taking place on which Highland Council spends money. Finally, there is the money associated with the bill that will be given to the Gaelic board to manage, which will be for additional developments in the local area.

As the bill is laid out, we expect that it will be for the board to issue notices to the public bodies and local authorities that it would like to develop Gaelic language plans. The board is fully aware of the lack of Gaelic tradition and heritage in Orkney and I would not expect that Orkney and similar areas would be first in line in being expected to draw up a Gaelic language plan or policy.

Mr Brocklebank: The other side of the coin is that Comhairle nan Eilean Siar probably has much more ambitious plans than those that have been laid out.

I have read reports—and I heard a speech recently by Matthew MacIver of the Office of Communications—suggesting that, ultimately, the only way to save Gaelic is for the Gaelic-speaking areas to have their entire education through the medium of Gaelic. In other words, the only real way of saving the language is to do down the route that Catalunya, the Basque Country and so on have taken in primary and secondary schools. That would involve huge amounts of extra money, would it not?

Douglas Ansdell: Indeed it would. Western Isles Council issued its policy on and plan for Gaelic two weeks ago, in advance of implementation of the bill and of Bòrd na Gàidhlig requesting Gaelic language plans. In some areas, from health services to education, the council has made a fairly robust commitment to Gaelic by offering virtually bilingual services to people who request them. That is a judgment that the council has made, with a full awareness of present resources.

David Brew: There is an issue about the marginal costs associated with the provision of Gaelic-language services and products. We are

not looking at a doubling of local authority expenditure simply because something is produced or delivered in Gaelic as well as in English. If there is a special programme of replacing every road sign, substantial additional costs will be involved; however, if one provides bilingual road signage as part of the normal function of providing road signage, the additional costs will be minimal.

Mr Brocklebank: But fast tracking the training of young people to teach Gaelic in schools—in other words, providing the teachers, who simply are not there at the moment—would lead to considerable extra costs, would it not?

David Brew: The issue of how much additional cost is involved in getting the language back to a position in which it can survive and prosper needs to be addressed. There is no right answer to questions about the speed at which additional resources should or should not be supplied.

Mr McAveety: In the submissions, we have heard from authority areas that have a Gaelic tradition, areas that want provision to be better than it has been in the past and areas, such as Edinburgh and Glasgow, where a greater demand is emerging because of the demography of the Gaelic community. There is a dilemma because of the unpredictability. Given what I would euphemistically call the enthusiasm for the bill—given the range of analyses and aspirations in the submissions—could pressure be brought to bear on Bòrd na Gàidhlig to go into areas that perhaps do not have a history or tradition of Gaelic to try to force the debate, so increasing the cost implications, rather than focus on areas such as Edinburgh, Glasgow, the Western Isles and the Highland region, where there is a strong tradition that needs to be supported and strengthened? Many of the submissions from local authorities mention uncertainty about the cost implications. For example, £10,000 seems a low estimate for a language plan for an area such as Glasgow.

My two questions are about the pressure on Bòrd na Gàidhlig and where the test cases might arise, and about how we have arrived at the figure of £10,000 for the development of a language plan, which a number of the submissions seem to question strongly.

11:45

Douglas Ansdell: On the £10,000, you are probably aware that in the previous session of Parliament, the member's bill on Gaelic made a similar estimate and the conclusion was that £3,000 would be sufficient for the development of a Gaelic language plan by a public body. Views are mixed on that. In some of the responses, we have seen a hint of scepticism and a feeling that £10,000 is not enough, but other submissions

seem to indicate that people are quite content with that figure.

When we get to the point of developing Gaelic language plans, clear guidance and assistance will be available from Bòrd na Gàidhlig. I do not expect that we will develop plans in the way that plans are developed in Wales, where something close to a template is provided for local authorities and public bodies, which can be adapted to their needs and situations. Given that guidance and assistance will be provided, we think that the resources, in terms of staff time, can be provided for drawing up the plan and getting translation work done. We are aware of the new points that have come in. We have had discussions with Bòrd na Gàidhlig and councils on the matter, following which we raised the level from the previous estimate in the member's bill.

There is an unpredictable element in the bill that will be tied down only once Bòrd na Gàidhlig has prepared the guidance, has approached public bodies and is working with them on Gaelic language plans. The public bodies' plans could take in core functions and very little more; alternatively, they could take in specialist services that could be offered in Gaelic, for example tourism for VisitScotland. During the consultation period, we were unaware of the funding that would be attached to the bill. Things will change now that that information is available.

There is an unpredictable nature to the Gaelic plans that will be developed but such things will be resolved in the future, with the guidance and the negotiations with the board.

Mr McAveety: What dialogue are you having with the board about how it will manage that? I used the euphemism because there are a variety of views about how we should sustain and develop the language, some of which could be fairly extreme in their content and analysis. How do we achieve a sense of proportion about how we should develop the language? How is that shaped in Bòrd na Gàidhlig's relationship with the Executive to ensure that reasonable sense prevails in the debate about moving to the further stages?

Douglas Ansdell: We are in discussion with the board, and the board is in discussion with public bodies. The board has found a degree of willingness and enthusiasm to move forward with Gaelic language plans. At the outset—in the initial years—the public bodies and local authorities with which the board will work will be the public bodies that have indicated some support for Gaelic language plans. There is always the possibility of situations arising that we would not welcome or support; however, the bill provides for an appeal mechanism and for the last word to rest with ministers should any difficulties arise.

The Convener: The more we talk about this, the more concerned I am getting. The provision is that a Gaelic language plan can be requested in any local authority area. Stirling Council's written submission states:

"In order to prepare a language plan, the public body would require to consult with all stakeholders and service providers, and tie preparation of the plan into the organisation's overarching strategic planning framework. This consultation exercise is time consuming and costly. It would be essential that the public body employs an extra member of staff e.g. a 'Gaelic Development Officer'".

That is significantly at variance with what has just been said about enthusiasm. That authority has examined the proposal and has told us what would need to happen to put it into place.

The Executive was very critical of Mike Russell's bill precisely because of the potential costs involved. You have not identified for me what mechanisms you have put in place—in either the financial memorandum or the bill—to allow any public body to limit costs on the basis of value for money.

David Brew: The content of the plan is dependent on what the public authority is or is not willing to deliver as part of that plan. There is no formal specified content. It is not stated formally that a plan must contain X, Y and Z, must involve the appointment of a Gaelic development officer, and must do X, must do Y and must do Z. The board is in a position to request a plan from a public authority. It is for the public authority to decide what is reasonable in the circumstances.

The Convener: But a small authority such as Stirling, which is not in the identified Gaelic area of Scotland, says that to produce a plan it would require to appoint a Gaelic development officer to deal with the extensive consultation process and stakeholder involvement, and to examine how the plan might be incorporated into the mainstream of its services. All that would, inevitably, cost significantly more than £10,000.

David Brew: That depends on the extent of the consultation exercise that it is thought is required. Other local authorities believe that the process of drawing up a plan—depending on its extent—could be relatively simple and straightforward, and would not require the appointment of a new member of staff. Delivery of the plan is a completely separate issue, which is why the range of costs that is set out in the financial memorandum is large. The process of producing the plan would not necessarily involve huge development—as opposed to delivery—costs.

The Convener: But Douglas Ansdell said that you were not going to go for a template-based approach. If you do not go for such an approach, I would have thought that you would almost certainly be moving towards a more expensive

methodology because taking account of what different service providers and the Gaelic community had to say would be complex. That is what Stirling is saying. It is saying that the exercise would be hard.

Douglas Ansdell: Yes; I noted Stirling's comments. Stirling's view is that a member of staff would be required to draw up a plan, but other bodies or local authorities could take the view that an additional member of staff would not be required to do that. Although we are uncertain of the details of the guidance that will be prepared, and although I mentioned that the Welsh have gone for a template approach, clear guidance will be prepared by the Gaelic board to aid local authorities and give guidance on the core functions that should be considered in drawing up a Gaelic language plan.

Mr McAveety: I do not envy you this dilemma. In a sense, I had this discussion in my ministerial role, although responsibility lay with the Minister for Education and Young People. There are agonies in working out the potential opportunities and pitfalls. Our worry, which has been strengthened by the submissions from local authorities, is about unpredictability. A minimalist view of what a Gaelic plan is might get through some of the broad framework that Bòrd na Gàidhlig can develop.

Given the resources that we are putting into Bòrd na Gàidhlig, I want it to take on a much more strategic role, which would involve it in discussions with local authorities. For example, Stirling is increasingly seen as an attractive place in which to live. Enthusiasm for Gaelic might emerge, in which case it should be seen as a development opportunity for Gaelic. The temptation in all local authorities—and I have been involved with them—is to invent new office posts for any new legislation that is introduced, rather than to look at the skills that they already have.

What can Bòrd na Gàidhlig and the Executive do about the framework? I appreciate that it may not be possible to include such details in the financial memorandum or the bill, but how can we stop the proliferation of posts while not diminishing the aspirations of communities or individuals to develop Gaelic in their areas—even in areas that do not have a great tradition in Gaelic? I support the principles of the bill and I want us to get it right, but I do not want a debate at one end but not much at the other end that can actually help.

Does Bòrd na Gàidhlig have a view on the framework and guidance? Might it offer itself as a body for consultation on development issues, perhaps working with staff who already work in local authorities' education, community or language services?

Douglas Ansdell: We prepared the financial memorandum and discussed its detail with Bòrd na Gàidhlig. When we considered what core functions might be included on the staffing side of a Gaelic language plan, we of course agreed to include Gaelic language officers and their possible training. When we considered costs for those officers, we used as models public bodies and local authorities that currently have Gaelic language officers. In most cases, there are one or two people who have the role of Gaelic language officer and have a range of functions in education, development or community issues. The financial memorandum on this point reflects our discussions with the board.

Jim Mather: I am sorry to go back to the Welsh template, but I want to explore why you decided to go for flexibility as opposed to the template approach. Did you regard the two approaches as mutually exclusive?

Douglas Ansdell: On reflection, I imagine that they are not mutually exclusive. However, the bill suits the diversity of Scotland. Some areas of the country are not very far away from bilingualism in the delivery of services, but other areas, in considering a Gaelic language plan, might be considering minimal measures. For those reasons, we wanted to put the question to the board for clear guidance.

Jim Mather: A template for the minimalist options—or even for the more complex options—might make sense. There could even be a programme of cross-pollination in which practice in the Western Isles could be shared. Has any thought been given to that?

Douglas Ansdell: You are right to point out that a template could be used flexibly in a range of situations.

David Brew: We do not want to end up with the arrangements for the delivery of Gaelic language services in the Western Isles being replicated in the rest of Scotland. If we have tended not to follow a template approach, that has reflected the very concerns that committee members are expressing about a one-size-fits-all approach. We do not believe that we should be standardising Gaelic language planning across Scotland.

Jim Mather: But that sounds a little bit like the tower of Babel approach. I will take the silence that greeted that comment as a hit.

If we are looking for more robustness in the planning process and for some decent cross-pollination, would not there be merit in emphasising and encouraging the employment of Gaelic speakers who can also perform mainstream roles in public bodies rather than being ghettoised as Gaelic development officers?

David Brew: Yes.

12:00

The Convener: The submission from Scottish Natural Heritage states that SNH has appointed a Gaelic officer who has a remit to promote its work in the Gaelic media and to help in the development of Gaelic publications. Does the Executive have an estimate of how many non-departmental public bodies have followed that path by appointing Gaelic officers? If the bill is passed, what implications will that have for other organisations that chose to make such appointments or were asked to do so by Bòrd na Gàidhlig?

Douglas Ansdell: As one can imagine, there is a diversity of practice out there. Some people are named specifically as Gaelic officers, whereas others have Gaelic as part of their responsibilities. In a few councils, the Gaelic officer has a specific education role that is focused principally on the development of Gaelic education. Also, quite a few bodies have Gaelic plans or Gaelic policies, such as education policies, without having a dedicated Gaelic officer who can follow through those plans or policies. Such roles are developing, as we have seen over the past few years. I expect that the bill will add significant momentum to the production of Gaelic policies and Gaelic plans and the work of Gaelic officers.

The Convener: I think that Wendy Alexander has a question.

Ms Alexander: I will wait and make my contribution at the end.

The Convener: If there are no other questions, I thank the witnesses for attending this morning.

Do we have any guidance for the clerks on the preparation of our report on the financial memorandum? The committee is still in public session. We can deal with the issue now, although members may also raise issues separately.

Ms Alexander: I am happy to raise this issue in public, although no members of the public are present. The bill is such a dog's breakfast that before we move to the next item of business there is a case for our taking a view as a committee on how we can acquit our financial stewardship responsibilities.

No amount of further questioning will fix what is wrong with the bill, which is a classic example. Either the courts will end up settling the consequences because people have unrealistic expectations of what the bill means or the Accounts Commission for Scotland will advise us—as has happened for other pieces of legislation, such as the Standards in Scotland's Schools etc Act 2000—that we did not even begin to get to grips with the bill's cost implications.

Either the courts will advise that the bill does not oblige authorities to make the provision that people think it makes, or the Accounts Commission will ask us how the Executive was able to get away with talking about administration costs without talking about implementation costs. I am not expert enough to judge which of those two routes will transpire, but I think that we are in that territory.

We are not responsible for the policy aspects of the bill. I have no doubt that the Education Committee, of which I am a member, will try to legislate an answer. However, the problem is not a legislative issue but one of financial resource and the availability of supply.

As a committee, perhaps we need to change our practices for the bill. The list of questions that we had was good, but perhaps the best that we can do in this case is to try to embarrass the Executive into thinking the matter through again so that local authorities can get to grips with it. In that way, we will not raise unrealistic expectations about what the bill will do.

I would like our report to do more than just parrot the self-evident weaknesses. I am not saying that it will be ignored otherwise, but I think that our best option is to say to someone who really understands local government finance—that is the real issue—that they should consider the evidence that we have heard and the submissions that we have received and produce a report that goes to the heart of the issue. That will cost money, but it will also minimise the work for the clerks. My proposal is that we say to Arthur Midwinter, "Look, Arthur, you can't do this"—we can invite him to do it, but I am sure that he will not want to. We need someone who will take what we have heard and what we have gathered from the financial memorandum and who is an expert in local government finance rather than Gaelic. That person will be in a position to ask if anyone has any idea how difficult it will be to realise the vision that is laid out in the bill. If that means that it takes a wee bit longer to produce the report, so be it.

We are all at one on the issue, but I think that it would be possible to produce a slightly classier report that talks about the reality of implementation in terms of local government finance and which might allow some of the issues to be addressed prior to stage 2.

Mr Brocklebank: I could not agree more with what Wendy Alexander is saying. However, we must not lose the central vision, which is that we want to do something to save the Gaelic language and culture. We must not be seen to be kicking the issue into the long grass because of the financial implications. We should do what Wendy suggests, but only if the reason is that we want to make the bill better and to ensure that it works.

Alasdair Morgan: I am not familiar with the history of all of the reports that have been produced on this matter. However, the bill has financial implications, so it is a policy issue, and it occurred to me that if we are serious about saving and revitalising the Gaelic language, we should concentrate expenditure on the Western Isles, the Highlands and Islands, Argyll and Bute and perhaps Glasgow and Edinburgh, rather than rolling out bureaucracy over the whole country.

The most disappointing answer was the one that suggested that it was a bad thing that Orkney would not be at the top of the list. Orkney should not be on the list at all. That is just daft but is a result of the kind of bureaucracy that is implicit in the bill.

Mr McAveety: Ted Brocklebank's point is critical. In the language that we use, we must make it clear that we have examined the bill in terms of its financial rectitude but that we are not questioning the principle of trying to expand the Gaelic language. I am sure that people have differing views about the emphasis that we should give that point, but I think that it would be a mistake not to stress it. As Wendy Alexander says, we have to emphasise the rigour with which we arrived at our views and our analysis of the cost implications.

The Convener: I was probably leading the questioning in this regard, but I support the arguments in favour of doing something solid for the Gaelic language. It seems to me that the issues are about appropriateness and the ways in which a local authority can make an appropriate response in particular circumstances and whether, by going down the classic rights-driven route, we are creating the possibility of inappropriate responses that are not in the interests of the language or the things that the language can deliver in terms of economic development and so on.

I share Alasdair Morgan's view that, to an extent, the issue is to do with supporting the language in those areas of Scotland in which it has a prospect of survival and of being strengthened rather than taking a one-size-fits-all approach across Scotland, which is the typical legislative response.

My query about Wendy Alexander's proposal is that I am not sure that we need to enlist the help of an expert in local government finance, who would probably ask what is actually going to be put in place. The problem with the bill in that regard is that it is imprecise about what is proposed and how it would work on the ground. It might be that we have to involve a different kind of person in an attempt to come up with a better set of answers to the question.

Susan, are you aware of any timescale issues in relation to the work of the Education Committee? When do we have to complete our work on this bill?

Susan Duffy (Clerk): I will double-check and get back to the committee on this, but I understand that the Education Committee will take evidence from the minister in early December. Our timetable is predicated on our being able to get our report to the Education Committee in time for that evidence-taking session. As usual with financial memorandums, we are working to a fairly tight timescale.

The Convener: But we do have a wee bit of time.

Jim Mather: I pretty much echo Ted Brocklebank's comments about making the bill better. Alasdair Morgan's point that it should be focused and targeted must be acted on and be seen to be acted on.

The evidence session exposed a number of weaknesses that might give us some stronger ground to walk on. For example, a Welsh local government finance expert will already have been down this path, which means that we will be able to look at more than the template for the plans. Indeed, such a person will be able to consider the bill from that reservoir of experience and help to clarify the matter.

John Swinburne: It all depends on cultural advantage. The Executive has to realise that we cannot allow the Gaelic language to disappear; indeed, we have to try to encourage its development. However, someone has to put a timescale on and make a valuation of the cost of implementing the bill. After all, the sky is the limit. We could roll the provisions out across the whole country, but in many cases that would be a waste of money and simply devalue the process. That said, where such provision needs financial backing, it must be stringently funded. It should be possible for the Executive to target its financial input on areas where it will have the most benefit. Anyone else who wants to come aboard could then apply to be included.

The Convener: I want to draw the strands of the discussion together and find out whether we can come up with something that makes sense. Members have a general concern that the financial assessments in this regard might not be very close to the mark. The issue is not simply whether the financial projections in the FM are accurate or realistic, as there are degrees of uncertainty about the bill's operation. We heard this morning that the guidance has not yet been produced, which means that we cannot even consider that.

It has been suggested that we identify someone with expertise in this field who could carry out a

short piece of research on some of these issues. The research would need to be undertaken quickly and would perhaps involve four or five days of work. We would need to approach the Parliamentary Bureau to secure the go-ahead for that work. Are members willing to delegate the mechanical arrangements of that to Alasdair Morgan and me? In the meantime, we could ask the clerk to examine the responses that we have received today and, with SPICe, draw up a checklist of members' concerns that could then be fed into the research. Any paper that we get back at the end of that process will be put on the agenda for discussion at an appropriate meeting.

We could also indicate to the Education Committee that we would welcome any shifts that it could make in its timetable to give us a bit more time to complete that work.

Mr Brocklebank: I wonder whether we could ask someone from a Gaelic-speaking background who is also economically literate to examine this matter so that we are not accused of choosing either a Gael or someone who is opposed to the whole concept. It might be impossible to find such a person, but I was thinking of people such as Tony MacKay in Inverness who understand the Gaidhealtachd and know what we are talking about.

The Convener: I think that we can be sensitive on that issue.

Jeremy Purvis: If that is the view of the committee, I will support it. However, I am not convinced that if the committee is concerned about runaway costs, it should make a recommendation that we are not convinced about the structures of templates and other things, which are for another committee of the Parliament to decide. We have the option to say that the anticipated cost is in the financial memorandum and that, as with the budget documents with regard to Gaelic in education, there is a fund from which those areas can draw down, which is administered by the Gaelic board, so there will be no runaway costs. There is a sum that can be voted on by Parliament. That is a clear indication, and it is up to the Parliament to set a budget for it. There cannot be runaway costs. The committee should state simply, "There you are. There is the budget for Gaelic." That could be a recommendation from this committee.

The Convener: My concern about that is that the rights that are conferred in the bill will make demands on local authorities above and beyond the money that will be voted on, which will come through Bòrd na Gàidhlig. The concern of local authorities and others who have responded to us is that there are costs in the bill for which they are not going to be properly reimbursed and which have not been properly calculated. We owe it to

them to try to ensure that all such issues are identified. However, as you say, it is a matter for Parliament whether it agrees to the bill. All that we are trying to do is facilitate the process by which it comes up with a better set of arrangements.

If members are agreed, we will proceed on that basis.

Members indicated agreement.

Financial Memoranda (Scrutiny)

12:16

The Convener: The final item on our agenda is consideration of the level of scrutiny that should be applied to the financial memoranda to the Prohibition of Female Genital Mutilation (Scotland) Bill and the Protection of Children and Prevention of Sexual Offences (Scotland) Bill. Members have received papers on those items from the clerk. As minimal costs arise from the Prohibition of Female Genital Mutilation (Scotland) Bill, the proposal is that we adopt level 1 scrutiny—that is, that we do not take any oral evidence but send out our standard questionnaire to relevant organisations and pass on any comments to the lead committee. Are members agreed?

Members indicated agreement.

The Convener: As more costs appear to arise from the Protection of Children and Prevention of Sexual Offences (Scotland) Bill, the proposal is that we adopt level 2 scrutiny—that is, that we seek written evidence from the relevant bodies, take oral evidence from the Executive and prepare a report for the lead committee, which is the path that we are going down in relation to the Gaelic Language (Scotland) Bill. It is proposed that if we adopt level 2 scrutiny, we will take evidence on 14 December. Are members agreed?

Alasdair Morgan: I wonder whether level 2 scrutiny is required for the bill. Unless there is something in it that I do not see, the costs seem to be fairly straightforward. I wonder whether we need to take oral evidence, unless something startling comes up in the written submissions.

The Convener: Do other members have any thoughts on that?

Jim Mather: The sums of money that are addressed probably meet the materiality test.

Susan Duffy: That is the proposal that was put forward. If members wish to adopt another level of scrutiny, we will go with what they agree.

The Convener: Members seem to be suggesting that we should apply level 1 scrutiny to the Protection of Children and Prevention of Sexual Offences (Scotland) Bill as well. Is that agreed?

Members indicated agreement.

The Convener: With that, I close the meeting. I remind members that our next meeting is in Cupar. Anybody who wants directions to Cupar should seek them from Susan Duffy, who comes from Fife. I look forward to seeing you in Cupar next Monday.

Meeting closed at 12:18.

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, Scottish Parliament, Edinburgh EH99 1SP. Suggested corrections in any other form cannot be accepted.

The deadline for corrections to this edition is:

Tuesday 16 November 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 Astron Print Room, the Document Supply Centre or the Official Report.

PRICES AND SUBSCRIPTION RATES

OFFICIAL REPORT daily editions

Single copies: £5.00

Meetings of the Parliament and 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.

WRITTEN ANSWERS TO PARLIAMENTARY QUESTIONS weekly compilation

Single copies: £3.75

Annual subscriptions: £150.00

Standing orders will be accepted at the Astron Print Room.

Published in Edinburgh by Astron and available from:

Blackwell's Bookshop
53 South Bridge
Edinburgh EH1 1YS
0131 622 8222

Blackwell's Bookshops:
243-244 High Holborn
London WC1 7DZ
Tel 020 7831 9501

All trade orders for Scottish Parliament documents should be placed through Blackwell's Edinburgh

Blackwell's 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
0131 622 8283 or
0131 622 8258

Fax orders
0131 557 8149

E-mail orders
business.edinburgh@blackwell.co.uk

Subscriptions & Standing Orders
business.edinburgh@blackwell.co.uk

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

sp.info@scottish.parliament.uk

All documents are available on the Scottish Parliament website at:

www.scottish.parliament.uk

Accredited Agents
(see Yellow Pages)

and through good booksellers