

FINANCE COMMITTEE

Tuesday 15 November 2005

Session 2

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FINANCE COMMITTEE 26th Meeting 2005, Session 2

CONVENER

*Des McNulty (Clydebank and Milngavie) (Lab)

DEPUTY CONVENER

*Mr John Swinney (North Tayside) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)
*Mr Andrew Arbuckle (Mid Scotland and Fife) (LD)
*Mark Ballard (Lothians) (Green)
*Derek Brownlee (South of Scotland) (Con)
*Jim Mather (Highlands and Islands) (SNP)
*Mr Frank McAveety (Glasgow Shettleston) (Lab)
*Dr Elaine Murray (Dumfries) (Lab)

COMMITTEE SUBSTITUTES

Alex Neil (Central Scotland) (SNP)
Iain Smith (North East Fife) (LD)
Janis Hughes (Glasgow Rutherglen) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

THE FOLLOWING GAVE EVIDENCE:

Bill Barron (Scottish Executive Justice Department)
Dave Bell (Scottish Executive Justice Department)
Derek Croll (Scottish Parliament Directorate of Resources and Governance)
Paul Grice (Scottish Parliament Clerk and Chief Executive)
Colin Miller (Scottish Executive Justice Department)
Nora Radcliffe MSP (Scottish Parliamentary Corporate Body)

CLERK TO THE COMMITTEE

Susan Duffy

ASSISTANT CLERKS

Kristin Mitchell
Merrin Thompson

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 15 November 2005

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

Scottish Parliamentary Corporate Body Budget 2006-07

The Convener (Des McNulty): Good morning. I welcome to the 26th meeting of the Finance Committee in 2005 the press, the public and our witnesses. As usual, I ask people to turn off their pagers and mobile phones. All committee members are present.

The first item on the agenda is consideration of the Scottish Parliamentary Corporate Body's budget submission for 2006-07. As the covering paper from the clerk states,

"The SPCB's budget is top-sliced from the Scottish Consolidated Fund".

Therefore, we consider the SPCB's budget bid as part of our scrutiny of the Executive's draft budget.

With us today are Nora Radcliffe MSP, who has taken over the finance brief on the corporate body from Robert Brown—I welcome Nora to her first Finance Committee meeting in the role; Paul Grice, clerk and chief executive of the Parliament; and Derek Croll, head of financial resources.

As is customary, I invite Nora Radcliffe to make an opening statement, then we will proceed to questions.

Nora Radcliffe MSP (Scottish Parliamentary Corporate Body): Thank you for your welcome and for the opportunity to make introductory remarks on the SPCB's budget submission for 2006-07.

First, I am pleased to confirm that the total budget bid is within the previous indicative figures that were advised to the Finance Committee in October last year. When my predecessor, Robert Brown, gave evidence to the committee last year, he highlighted the fact that we had just moved into Holyrood and that it would take some time for the operation of the building to settle down and for the impact of the predicted considerable number of visitors to be established. One year on, we have much more experience of working in our new environment and we have welcomed more than half a million visitors to the building. That experience provides a more robust base for our 2006-07 budget submission. However, it should be noted that we are still operating within the initial defects liability, or warranty, for the Holyrood

building. Consequently, we do not yet have to pay for undertaking what might be described as normal levels of maintenance.

On the revenue expenditure budget, our proposed net revenue budget submission for 2006-07 is £66 million. The figures are set out in more detail in the schedules attached to the letter from the Presiding Officer. As in previous years, we have highlighted, in schedule 3, comparisons with the current year's approved budget to assist the committee in its scrutiny.

We have maintained tight control of staff costs for the parliamentary staff organisation. Members will note that the overall increase in staff pay is only 1.5 per cent. That is partly as a result of a reduction in fixed-term posts, but it also reflects the fact that permanent staff have largely now reached a plateau in their incremental progression through their agreed pay scales. We have highlighted that point to the Finance Committee in previous years. We expect that future increases will be close to inflation.

As part of our drive for continuous improvement and development, we have a planned programme of efficiency reviews, which we would be happy to elaborate on in response to questions. We are committed to the principles of efficient government and we already share a number of services with other public bodies, including the Scottish Executive.

Members will note that property costs of £6.7 million show an increase of £0.6 million—10.2 per cent—on the 2005-06 approved budget. The largest single component of property costs is the rates bill of £3.6 million, which essentially is outside our direct control and has been debated in previous years. Maintenance costs, both planned and reactive, account for £1.2 million in total. That figure includes £360,000 for fabric maintenance, including the planned limewashing of Queensberry House, and £443,000 for planned works to mechanical and electrical systems. Utilities account for £875,000 and the cost of cleaning, including high level windows and vertical access, amounts to £633,000.

Commissioners and ombudsmen now represent a significant portion of the SPCB's net expenditure: they account for £6.4 million, which is almost 10 per cent of the 2006-07 budget. In his letter of 26 August, the convener invited the SPCB to scrutinise the budget submissions of those bodies and to raise with them in particular issues of location and value for money. We have had a meeting with the commissioners and ombudsmen to challenge them on those matters and to discuss their responses with them. As is set out in the Presiding Officer's letter, we have concluded that it would be beneficial to undertake an independent review of the opportunities for sharing services.

The Auditor General for Scotland has intimated that he would be willing to undertake such a review.

The SPCB has scrutinised the 2006-07 budget proposals from the commissioners and ombudsmen, as set out in our overall submission, and we would be happy to discuss the matter further.

We propose a contingency of £1.5 million, which is 2.5 per cent of the revenue budget, excluding the commissioners. We consider that that is prudent to meet unexpected new cost pressures.

We have set aside £3 million for capital expenditure in 2005-06, in line with previous forecasts. As noted in the letter to the Finance Committee, the majority of that expenditure is not yet allocated to specific projects.

That was a quick canter through the submission, and we are happy to take questions.

The Convener: Thank you very much, Nora. Thank you for giving us the figure of £3.6 million for rates. Last year, it was assumed that the figure would be £4 million, so I presume that it is coming in £400,000 below the projected increase. Notwithstanding that, the 10.2 per cent increase in property costs is pretty substantial. Can you say a bit more about the planned maintenance costs and higher utility costs? How much of the higher cost represents the same usage but increased charging by the utility providers and how much of it represents increased use over and above what was expected?

Nora Radcliffe: Sorry. I did not catch your last question.

The Convener: Schedule 3 of the submission mentions a couple of factors behind the 10.2 per cent increase in property costs, one of which is higher than expected utility charges. How much of the increase in utility charges is because the utilities' prices have gone up and how much of it is because use is higher than the SPCB had expected?

Nora Radcliffe: I think that it is mainly all down to increased charges from the utility companies. The use of gas has actually been slightly lower than expected. Water rates are different, because they were estimated wrongly before. I ask Derek Croll to cover the detail of that.

Derek Croll (Scottish Parliament Directorate of Resources and Governance): The original estimate for the budget submission last year was based on a rateable value, obtained through Scottish Water, which has turned out to be incorrect. When the correct rateable value came through, we discovered that the figure was much higher. There is a significant increase there, from

£55,000 in the 2005-06 budget to £225,000 in the 2006-07 budget, based on the rateable value.

The Convener: We are now moving towards the end of the defects liability period, so we are starting to get a sense of the true maintenance costs. Can you tell us something about how that cost is to be managed? What projections do you have of annual and medium-term costs? Presumably, the present costs should be relatively low, because most services are new or are in the post-construction period. Do you have any notion of a longer-term cycle for maintenance, which could give a sense of what the overall average costs might be in the future over five-year or 10-year periods?

Nora Radcliffe: We are now considering costs over a 25-year period. We are confident that the right way to proceed is to put in place a proper annual maintenance regime, so that we keep the building up to scratch. It is a high-maintenance building and if we were to skimp on maintenance now, we would pay dearly for it later. We are being realistic about the maintenance costs of the building and we are doing proper planned maintenance from the start. We have been considering closely how to plan over a period of 25 years.

Paul Grice (Scottish Parliament Clerk and Chief Executive): We are currently producing a 25-year maintenance plan. I am not in a position to give the committee the details on it today, but I would be happy to do so when we have it. As Nora Radcliffe indicated, the intention is to begin the maintenance at a reasonable level now, so that we do not make the mistake of suddenly running up huge bills later. We would hope to set a reasonable average and to keep the level fairly even across the period. However, it will be at least another month or two before we have the maintenance cycle set out. I would be happy to indicate to the committee how we envisage that expenditure developing, hopefully over quite a long period.

To reiterate, we have tried to begin at a realistic level, rather than depressing the figures early on and facing higher bills later. However, until we have the maintenance programme in place, I cannot give an exact figure. We would be more than happy to indicate that to the committee once it is ready.

The Convener: That would be helpful. For the layout of future budgets, it would also be helpful to separate out utility costs from maintenance costs, rather than combining them in a single property costs column.

Paul Grice: I can give you a little bit more detail there. We are expecting a £170,000 increase for electricity in the 2005-06 budget. As you have

implied, that is predominantly down to increased utility costs. For gas, we budgeted exactly the same as for last year in cash terms. I am more than happy to provide specific water, gas and electricity budget proposals.

Mr Frank McAveety (Glasgow Shettleston) (Lab): I thank Nora Radcliffe for her presentation and welcome her to the committee. As she has responded to our question on rates, I will leave that subject there—I just wanted accuracy on the figure.

The events budget includes staff overtime and contractor costs. Those figures were not separated last year, so it is hard to judge whether there has been any significant shift in those costs. Has there been any substantial shift in the figures? What is the likely direction of travel in that regard over the next year or two?

Nora Radcliffe: Those amounts were not shown separately last year because many of the costs of events were rolled into the ordinary budget. This year, we have tried to separate out what events are actually costing, to account for them more accurately. That is why the figures are shown like that now, but were not shown in the same way last year.

It is right that we show those costs separately and account for what events actually cost, covering not just the obvious costs but the fact that security staff have to work overtime and the requirements for ushering, portering and clearing up after events. All those costs should be accurately apportioned. However, I am not aware that there is a significant increase.

10:15

Paul Grice: The costs are broadly the same as for 2005-06. Of course, we do not know about all the events that will happen next year. The Scottish Parliamentary Corporate Body is trying to run events more on an annual basis but, inevitably, some events come up at short notice. The amount that we put in is based on a level of major and medium-sized events that is similar to this year's.

As the corporate body considers the situation further, it will consider whether it should set the budget first and say that events must be accommodated within that or continue with the current approach, whereby events are dealt with on an ad hoc basis.

The direction of travel, which Mr McAveety asked about, is seen to be broadly flat.

Mr McAveety: Does any particular type of event entail additional costs? Will we have to address the implications of holding certain types of events that might require money to be spent on resources

that are external to those that exist within the Parliament?

Paul Grice: Clearly, big events that have security considerations, such as the Malawi conference and events involving members of the royal family and presidents of other countries, bring with them significant additional costs. Also, events that take place over weekends or in the evenings create extra costs. They will tend to be the more expensive ones, as they involve a lot of staff.

One of the issues that the corporate body is considering carefully is cost recovery and what it is reasonable to try to recover costs from. Again, that might depend on considerations such as the type of organisation that is running the event and what the prospects of recovery are. At present, we would always seek to recover costs involved with catering and the hire of broadcast equipment. However, there is a debate about whether it is proper to seek to recover further costs, and the corporate body is considering that issue. The £450,000 could go further or could reduce, depending on the extent to which that happens. The corporate body has a bit more thinking to do about what the appropriate approach is in that regard.

Mr McAveety: This is not really a finance question, but I will try to broaden it out as much as I can.

In the discussion that the corporate body has about what events should take place, is there much debate about opening up the Parliament much more to what we might broadly define as ordinary citizens rather than representative organisations, dignitaries or whatever? Many things are happening but it strikes me that not enough people from wider Scotland are getting a chance to participate in events in the Parliament.

Nora Radcliffe: I think that the festival of politics was trying to address that by running the kind of events that the man in the street would be attracted by. I suppose that we have to play with the hand that we are dealt. It depends what people suggest to us.

Paul Grice: I take the member's point in relation to high-profile events that are aimed at particular people, such as the recent Carnegie event. The point is fair and the corporate body will be mindful of whom events are targeted towards.

The vast majority of medium-sized events—those that involve 50 to 100 people—are very much driven by members and are focused on constituents. Again, the corporate body would regard that as a high priority.

We are still learning but, next year, we are looking to host a handful of resource-intensive

major events and a much larger number of what we might call ordinary events, including receptions for constituents and committee events, which tend to be more to do with pulling in "ordinary citizens", as you called them. The corporate body has not resolved this matter finally, but it is open to the sort of issue that you raise and is anxious that the Parliament should be accessible to the ordinary people of the country.

The Convener: In that context, will you have a proactive development strategy for events? There are two dimensions that might be worth thinking about. One is that businesses might use the Parliament more for their own types of activities, such as dinners in the evening or training events during the day, which could feature an introduction to the Parliament as a component part. I suppose the other dimension is public bodies of one kind or another and whether they are using the Parliament sufficiently in linking with the public. Both of those could be done on a cost-recovery basis. I wonder whether there is a strategy for developing the Parliament as an events location.

Nora Radcliffe: We are developing the strategy. Certainly, the SPCB is discussing whether we should have more corporate involvement. However, there are many issues around that. For example, there are questions around what the Parliament is and what it is appropriate to use the building for. Much discussion of such issues is required before we arrive at a strategy.

The Convener: On staffing, can you give us an indication of how the balance between permanent staff and fixed-term staff has shifted over the past two years and how you expect it to shift over the next period?

Paul Grice: There has been a slight shift. I think that there are about nine or so fewer fixed-term staff, there has been an increase of about nine permanent staff and the overall staff number is up by about nine, so the figures are broadly the same. I expect a gradual shift to having slightly fewer fixed-term staff, many of whom were taken on to handle the Holyrood migration and transition. In some areas in which we face uncertainty because of blips in work, or when we want to bring in professionals, we will continue to use fixed-term contracts. That strategy gives us flexibility. As Nora Radcliffe said, using fixed-term contracts is one of the ways in which we have been able to keep the overall staff budget in reasonable balance.

There might be a gradual shift to fewer fixed-term contracts, but I foresee in the medium term a reasonably significant number of fixed-term posts of about the current order, which is just over 50, across a range of disciplines in the Parliament.

The Convener: Is the corporate body involved in and consulted on shifts in overall staff numbers? Does it monitor that closely?

Paul Grice: We have a twice-yearly bidding round for staff, so we have a tightly controlled process for new staff coming in, and I report the outcome of that to the corporate body. Obviously, shifts within the Parliament are handled more at my level. For example, if we needed extra resources for a particular committee or area, I would not go to the corporate body about it, unless it involved major headaches and implications. Obviously, I would report to the corporate body on proposals to take on significant numbers of new staff. Over the past year, though, that has not been the pattern.

The Convener: You say that you have a planned programme of efficiency reviews. Can you give an indication of whether you expect total staff numbers to fall or rise because of the reviews?

Paul Grice: It is hard to say, really. A very definite outcome of the operational security review was that we were able to reduce overtime costs. We are currently doing a review of visitor services, which I think is the area of the organisation that is under the greatest pressure. We are still coming to terms with the pressure of running the building as a visitor attraction as well as a Parliament, and that is quite problematic. I suspect that there will be a range of outcomes from that review. In some areas, we might consider other providers of services and we might well require additional staff in some areas.

We are keen to improve the service to members. That goes back to the events point. We are trying to shift the focus so that many of the visitors come in via members. No doubt members of the Finance Committee have brought in people, and I have certainly come across members with large groups of constituents. That is very positive, but it is obviously a burden on members, so we are looking to see whether there is anything we can do to enable the visitor services team to provide a service to members.

Because of the immense pressures in visitor services, I certainly would not expect staff numbers to fall there. However, we might consider whether we are always the best people to provide the services. We might consider whether they should be contracted out or whether we should extend existing contracting-out arrangements. We will try to go in with an open mind. Those are the two things that are immediately on the horizon.

The other planned efficiency reviews have still not commenced, so it is hard to give projected outcomes at this stage.

The Convener: You mention sharing services with other public bodies, including the Executive.

Will you say a wee bit more about what services those might be and what programme you have for the development of shared services?

Nora Radcliffe: We share a finance system with the Executive; for procurement, we use the Office of Government Commerce; utility contracts are negotiated along with the Executive, to get the benefit of economies of scale; our internal audit is seconded from Scottish Enterprise; and payroll is done in association with a number of public bodies, so that the expenditure is shared.

The Convener: That brings us neatly to the subject of commissioners. Thank you for your efforts to monitor the budgets of commissioners. Why do you think an independent review is necessary following the discussions that you were asked to have with the commissioners and what do you think the remit of that would be?

Nora Radcliffe: It just seemed sensible to get somebody from outside to come and examine them all. In dealing with commissioners, one must recognise that they were set up to be independent. There is a lot of sensitivity around our being seen to be too directive, so it seemed sensible to get somebody such as the Auditor General to consider independently the possibilities for sharing services and, possibly, locations. That would be better coming from an independent person than from us directly.

We have discussed the matter directly with the office holders and the Auditor General has been approached. Audit Scotland is already undertaking a review of governance and it intends to extend the remit of that. We are discussing with Audit Scotland exactly how that will be done. Does that answer your question?

The Convener: Partly. One can be a bit too sensitive about the level of independence, as it must be balanced with accountability and against financial controls, which are the prime interest of this committee. Did you ask the commissioners why they took the location decisions that they did? It is hard to understand why we have ended up with commissioners based in Edinburgh and St Andrews.

Nora Radcliffe: We asked them about that. One of the contributory factors is the fact that they have all come on stream at different times. They have all been given a job to do and sent off to do it, and they have had to make their own arrangements. We have learned as we have gone along. The fact that the bill for the most recent commissioner recognises that there might be merit in having some powers of direction in that regard reflects how, with hindsight, we might have done things differently. We will start from where we are and see what sensible rationalisation we can have.

The Convener: Are you saying that there need to be greater powers of direction to avoid inappropriate choices being made by the commissioners on the back of their purely operational independence?

Nora Radcliffe: My starting point is that we must assume that we are all reasonable people.

The Convener: That is a dangerous assumption.

Mr John Swinney (North Tayside) (SNP): It is a very Liberal Democrat statement.

Nora Radcliffe: Indeed. I do not think that there need to be powers in the bill for us to have influence. If we have a reasonable discussion about what is a sensible way for the commissioners to be based, we will get a reasonable outcome.

The Convener: I do not think that you were personally involved at the time, so this might not be a fair question to ask you, but were not the commissioners asked about their locational choices?

Nora Radcliffe: Yes.

The Convener: What response did they give?

Nora Radcliffe: They came up with a very reasonable explanation for why they are where they are.

The Convener: What was that reasonable explanation?

Nora Radcliffe: Oh, gosh! I could give you chapter and verse. We have a whole screed written about why it was necessary for them to be in Edinburgh, why they needed to be close to the Parliament and so on. If we are talking about co-location, there were some perceived sensitivities about people who were in a sense regulating each other or who were seen as being too closely integrated, but those do not necessarily wash.

In practical terms, we should consider the commissioners' accommodation contracts, which are all different. I would like to take a closer look at the policy of dispersal and perhaps query a bit more strongly why people need to be in Edinburgh.

10:30

The Convener: You said at the start that the commissioners had given some reasonable explanations about why they should be in Edinburgh, but now you seem to be saying—

Nora Radcliffe: I am saying that they made what seemed to them reasonable explanations. As we explore that further, I would challenge those explanations.

Mr Swinney: What is the process for arriving at the budgets for each of the commissioners, particularly in relation to factors such as staff numbers? The overwhelming majority of the running costs of the commissioner's offices will be staff costs. Do the commissioners put a proposition for staff numbers to the corporate body, on which the corporate body adjudicates?

Nora Radcliffe: I do not know whether "adjudicates" is the right word. The only major increase in staff has been for the information commissioner. We thought that his bid for more staff was reasonable, given the volume of work that has arisen from freedom of information requests.

Mr Swinney: I am looking at the situation for all the commissioners. I do not know what the staff numbers are for each commissioner, but does the corporate body consider in detail why it is appropriate that one commissioner should have five staff, another should have 10 and another should have 100? Is that the type of investigation the corporate body carries out? If so, how does it go about that exercise?

Nora Radcliffe: The corporate body starts with zero-base budgeting. It asks the commissioners to explain the job that they want to do, how they intend to do it and the resources that they need to do it. The budgets are derived from that information.

Mr Swinney: Has the corporate body on any occasion revised down staff estimates that have been made by a commissioner?

Nora Radcliffe: It has not done so in my time, which has been very short. I will need to consult my colleagues.

Paul Grice: This is the first year that we have invited the commissioners together to submit bids. We had a face-to-face question and answer session—not dissimilar to this—with the commissioners. It is early days, but the short answer is that we have not revised estimates down.

The corporate body considered staffing carefully and, particularly in relation to the commissioner for children and young people, considered budgets such as that for publicity. The work of the two principal commissioners is very much casework driven and the corporate body challenged them vigorously on that. At the end of the day, the commissioners were able to demonstrate that they had a large amount of casework and that they needed their caseworkers. The corporate body focused more on what it might regard as discretionary expenditure around publicity and promotion, in which we feel that there is perhaps more latitude. Some of that is reflected in the Presiding Officer's letter. The corporate body has

not said that the commissioners should have fewer staff; it was persuaded that the staff bids were reasonable, at least this year.

Mr Swinney: I understand that process, but I am a bit confused about why there is a need for the Auditor General to carry out an independent review. If the corporate body is satisfied with the staffing component in each of the commissioners' offices—which have relatively recently formulated their budget bids—why are we going to the Auditor General for an independent review? I am not against that, but either it is not necessary or the commissioners' budgets should not have been signed off by the corporate body.

Nora Radcliffe: We are asking the Auditor General to consider whether there might be opportunities for making savings, for example by sharing support services.

Mr Swinney: The point that I am driving at is that if the corporate body signs off the budget for the commissioners, I do not see what prevents the corporate body from advancing that argument with the commissioners. I understand the need to avoid intruding on the independence of the commissioners, but I am trying, from the perspective of the taxpayer, to find out who drives the budget decisions of the commissioners when they are making judgments about location, numbers of staff and so on. I would have thought that that was the job of the corporate body, but I am getting the sense that part of that scrutiny has been passed to the Auditor General.

Nora Radcliffe: We have looked at the commissioners' budgets for this year and have said that what they are proposing is reasonable in our eyes, but we also said that we are looking to see what can happen in the future. They may be able to work more efficiently. We asked the commissioners to consider their office locations and sharing of services as the committee asked us to do.

Dr Elaine Murray (Dumfries) (Lab): My concerns are similar to those of colleagues. At the moment, we have five commissioners and ombudspersons. Do you have any idea how many people are employed in their offices?

Nora Radcliffe: I do. I have the information somewhere in my papers. Can I come back on that question? The short answer is that there are quite a lot, but the staff numbers vary according to the nature of the job that the commissioners have been asked to do.

Dr Murray: When we look at the figures—which I had not done previously because they had not been presented this way—we see that the cost of the commissioners and ombudsmen is about one third of the cost of the entire number of MSPs, their staff and constituency offices. That is quite a

considerable amount of money for just five offices and it rings some alarm bells. Although people are more worried about our expenses than they are about those of the commissioners and ombudsmen, scrutiny needs to be brought to bear on the costs that are before us, which seem to need some sort of rationalisation.

Recently, I went to a presentation that one of the commissioners gave, at which I heard that 14 staff had recently started work in the office. It may just be me, but I do not recall that those sorts of costs were reflected in the financial memoranda of the bills that established the commissioners and ombudsmen. We have to be a bit more careful in future in our scrutiny of such legislation.

Paul Grice: Staff numbers vary. One of the strongly put arguments of the commissioner for children and young people to the corporate body when challenged over her budget was that she was living within the financial memorandum as approved by Parliament. That was quite difficult.

I return to John Swinney's point, which is a fair one. The only way in which I can explain the situation is that—as things stand and for better or worse—all the commissioners and ombudsmen are running as independent organisations. On that basis, their budgets are not unreasonable. Prompted by the Finance Committee and reflecting its own concerns, the corporate body has said that it is sure that there are options for sharing of support services.

The corporate body is not set up as civil service departments are with a great sponsorship arm; we have a couple of people only. We were not set up to sponsor commissioners. I have done that job myself in the past so I know that it is resource intensive. There is also the issue of the independence of the commissioners and ombudsmen and the corporate body's lack of a power of direction. We decided to bring in some expertise to look at the situation in the round.

On John Swinney's point, the corporate body is not trying to absolve itself of its responsibility—it wants to help. We have some ideas about what is and what is not reasonable in terms of pressing for shared support services. We are saying that the place from where we are starting is okay, but also that there is an opportunity to do better. I hope that the committee does not think that we are being inconsistent in saying those two things. Audit Scotland has offered to help us in this process.

Mr Swinney: I will pursue the point about the corporate body's having no powers of direction. I understand why it is right for the corporate body or other institutions not to have powers of direction that would allow them to tell any of the commissioners to do this or do that. The corporate body has an obligation to approve the

commissioners' budgets, however. What is to stop a commissioner from saying, "I want £10 million for my budget"? Obviously, the corporate body would say no. Implicit in the situation is the need for a certain power of direction, although we may not want to call it that. Whatever it is called, it is certainly an approval mechanism.

A couple of colleagues have raised points about office location. Why was a stiffer line not taken with the individual commissioners? Why were they not asked to look at more cost-effective locations? The location of an office has diddly-squat to do with the independence of an individual commissioner, but it may represent better value for money for the taxpayer.

Nora Radcliffe: I agree; the commissioners would probably also agree. We will have to resolve the issue through discussion and influence, because we do not have the statutory powers to direct. If anything, the Finance Committee has statutory powers that we as the corporate body do not have. Our responsibility is to act as a conduit, so to speak, to challenge the commissioners on their budgets and to ensure that what they propose is reasonable. We do not have sanctions such as the Finance Committee has.

The Convener: I do not think that we have such statutory powers or sanctions, although we might have a sanction in deciding whether to recommend the budget.

Two issues are involved. It seems to me that the corporate body has gone about as far as it thinks it can go in highlighting expenditure that it considers is not justified on the basis of its information on the commissioner for children and young people's budget. To be honest, the caveat in the Presiding Officer's letter to us is quite serious. That is one issue.

Nora Radcliffe: When no track record exists, it is difficult to demonstrate whether a budget is or is not overambitious. After the commissioner has been in post for a year and has demonstrated the capacity to utilise the budget, it will be much easier to challenge it.

The Convener: I understand that, but the idea that a commissioner should in effect nominate their own budget is absolutely unacceptable. The process that has been put in place involves the budget coming through the corporate body. You have scrutinised the budgets of the three commissioners and you are saying, in a sense, that you can argue that the justifications or explanations that have been given are adequate for two of them. However, you seem to be saying that your position is not so secure with respect to one commissioner, which seems to me to be quite serious. A difficulty for the Finance Committee is what it should do if that is the case. Should we

agree not to recommend the budget if it is not justified? Perhaps my colleagues and I will have to consider that.

A further issue arises from my letter and what John Swinney and Elaine Murray have said. Should there be explicit powers of direction in the legislation that covers the commissioners, such that it would—I presume—protect their independence but would nonetheless require appropriate accountability to Parliament not only for budgets, but on other issues such as staffing matters and the extent to which they or Parliament control the development of their remit? It seems to me that there is an issue to do with the legislation. Perhaps inadequate controls have been put in place to allow appropriate direction where that is necessary, while protecting the independence of the commissioners from inappropriate direction. Perhaps we need to reflect further on that—I would be happy to try to facilitate that reflection. There is a short-term issue for us with the budget.

Nora Radcliffe: I think that you are right, but we must remember that the commissioners' interrelationships are in their early days. They were set up separately and in slightly different ways, and perhaps there is an argument for trying to be as prudent as we can be in the interim. Perhaps we could revisit the matter and find out what rationalisation there can be when there is more of a track record and we have more experience of how things work.

The Convener: With respect, I am not sure that I accept the argument that we should simply wait and see.

Nora Radcliffe: I am not saying that we should wait and see—I am saying that, in a sense, a track record is needed in order to make a judgment.

The Convener: I do not agree. The corporate body has asked the commissioners to come up with a zero-based budget, so even its approach is not based on a track-record type of system. We have asked you in your budget and in considering the commissioners' budgets to carry out a fundamental review of whether they have proposed justified expenditure. If there are issues relating to whether expenditure can be justified, the Finance Committee must consider them.

Nora Radcliffe: I agree. However, we strongly challenged the commissioner for children and young people in particular about what she thought she needed to deliver her function and she strongly defended what she thought she could do and the money she required to do that. We have no evidence to suggest that her proposals are overambitious. After a year, once we can see assess capacity, we will be in a far better position to judge matters and we will be able to say whether she needed a budget of that size.

However, we do not have evidence at the moment.

10:45

The Convener: Perhaps we should move on. Elaine Murray has a question about the Holyrood project.

Dr Murray: My question is on settlement of the final accounts for completion of the Holyrood project. Why have only 24 accounts been submitted of the 30 that were due? When will the remaining accounts be settled?

Nora Radcliffe: Things are progressing more or less as expected. Paul Grice will be able to say more.

Paul Grice: It is a complex process. There has been a step change by Bovis, which has legal responsibility to submit the accounts. Bovis recently put a new person in charge—his responsibilities extend to Scotland and the north of England—and he is now driving the process. I have been pleased to see a step change in results, as accounts are now actually coming through.

The process is very detailed. Each account can have hundreds—sometimes thousands—of accompanying documents. The issue is that we need to press Bovis to settle the accounts but not to settle them so fast that we do not get the desired outcome because, ultimately, what really matters is financial settlement of those accounts. I want the accounts to be finalised expeditiously because I want to finish that work. On the other hand, a balance must be struck, so I need to give Bovis time to do its job properly.

We have been promised that we will have the remaining six accounts. Moreover, I expect to have at least another dozen accounts settled by Christmas, so we have an ambitious programme for driving the process forward. In anticipation of my appearance before the committee today, I met the Bovis director last week so that I would be able to give an update. He has undertaken not just to catch up on the backlog but to press forward on the other remaining accounts. I will have another face-to-face meeting with him before Christmas to review progress.

Progress is still slower than I would have liked—I will be honest with you—but I have seen encouraging signs in the past two or three months. It is significant that the accounts that are flowing through are coming in under the estimated final cost. That is, of course, the ultimate test.

Dr Murray: Do you expect the six remaining accounts to be settled by Christmas?

Paul Grice: Altogether, I expect to have another 18 accounts—those six remaining accounts plus another 12—by Christmas. That is the programme that Bovis undertook to deliver at our meeting last week. I hope to be able to report that Bovis has done that.

Dr Murray: I notice that, in one or two cases, problems with paperwork have obviously delayed signing off of a final account. However, for one account, the report states:

“Company no longer exists; new owners will not respond to request in terms of to whom final account should be addressed to.”

Just as a matter of interest, what happens under such circumstances?

Paul Grice: That is a good question. The report that has been provided to the committee is an unadulterated version of what I get, so it includes all the annotations that have been made by our project team. I apologise if we have given too much detail, but I wanted the committee to understand the process. Ultimately, if we cannot find someone to whom we can pay the money, we will return the money to the consolidated fund.

Dr Murray: So we still have that money—it has not been paid to Bovis.

Paul Grice: Yes. The money sits with us. That is not the worst problem to have, but the amounts of money involved are modest. I am not sure—Derek Croll is our expert—but I suppose that there will come a point at which we will have exhausted due process and, if we cannot find someone to whom we should pay the final retention, the money will be netted off. I doubt that that will change the fundamental picture—regrettably—but every little helps. However, we obviously have a responsibility to pay moneys that are owed. If we can find the proper organisation, we have a legal obligation to pay the money. Obviously—to be serious about the issue—we are making efforts to find whether a company exists to which we should make the payment. If we do not find such a company, we will return the money to the consolidated fund.

Mr Swinney: That adds another point of intrigue about the contents of the consolidated fund, which has occupied our attention for some time.

Pursuing the line of questioning that Elaine Murray started, I want to ask about the three payments to O'Rourke Scotland Ltd for which the invoices were

“Returned ... due to standard of supporting paperwork.”

Was that the first occasion on which the invoices were presented?

Paul Grice: The issue is not so much the invoice—we have a particular format for that. We

are talking about thousands of pieces of paper and documents. A process of negotiation takes place. It is the job of project managers on the project team to say whether the paperwork is in order, although I must be careful not to absolve Bovis of its legal responsibilities; throughout the project, it has been a challenge not to take over Bovis's role, which would be inappropriate under the contractual arrangement. The process of going through the paperwork involves many iterations and the information that the committee has is just a snapshot. I did not redact the comments in order to allow members to see and understand what happens. The process sometimes goes on for days or weeks until I can be assured that the paperwork is sufficiently well documented or in the right order.

Mr Swinney: How long has that process been going on in relation to O'Rourke Scotland?

Paul Grice: I cannot tell you that because the matter is handled at project management level, but I could find out for you.

Mr Swinney: I would be grateful for that. I am interested in the matter because it strikes me that the concreting work was a pretty early part of the project—it is not work on the colour of the emulsion, if I can be so technical. I am surprised that debates and discussions continue about signing off such contracts so far into the process. The concreting must have been finished years ago.

Paul Grice: Yes, although, in some ways, that is maybe one of the issues. We need to get all the paperwork in the right order so that we can follow change requests through to authorisation and so on. The process is complex. Obviously, I do not see the great bundle of paperwork, so rather than say any more in general terms, I can let you have a specific note on the O'Rourke contracts to explain how long the process has been going on and perhaps to shed a bit more light on exactly how it works.

Mr Swinney: I ask because section 5.1 of the proforma contract that Bovis issued to trade contractors states:

“The Trade Contractor shall submit to the Construction Manager within 30 Working Days after Practical Completion of the Project”

the request for payment. The concreting work finished literally years ago.

Paul Grice: Practical completion of the project was earlier this year.

Mr Swinney: Right.

Paul Grice: We have had debates about the date for practical completion, which is something that the architects certify.

Mr Swinney: When was that date?

Paul Grice: I think it was in February this year.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): I have a short follow-up question on the bills that are still unsettled for the Holyrood project. Are we expected to pay interest on them?

Paul Grice: No.

Mr Arbuckle: Nora Radcliffe described as "prudent" the increase in the contingency fund from about £600,000 to £1.5 million. Schedule 3 states that the reason for the increase is

"to meet unexpected new cost pressures."

We could do with more information on that. Also, in 2007-08, we will bump up the contingency by another £1 million, which is explained as being to allow for higher winding-up allowances following the general election. It might be interesting to know how many MSP departures you are budgeting for, but my real question is why we are pushing up the contingency fund so much.

Nora Radcliffe: Part of the reason is that the previous year's contingency was artificially depressed for various reasons that I will ask the technical experts to explain. The figure of 2.5 per cent of the budget is a reasonable level for a contingency fund. The advantage of having such a fund is that it takes speculative bids out of the ordinary budget. We have considered what we might want to do and what might come up or events that we cannot account for; then, we have arrived at a figure that is slightly less than we think the total might be over the year and asked for that as a contingency.

Mr Arbuckle: You have included elsewhere a 10 per cent increase in property costs, and running cost increases have been covered. I am struggling to think of a prudent reason for pushing up the figure by almost £1 million.

Nora Radcliffe: The contingency fund allows us to consider projects that we may or may not wish to go ahead with and to pick up on things like unexpected litigation. We take all those unknowns out of the ordinary budget and put them into the contingency. We might want to do something different with visitor services. That is not budgeted for because we have not decided that we are going to do it, but the contingency gives us the opportunity to do it next year if we want to. If we have an unexpected run of early retirements, we can also pick that up out of the contingency.

Jim Mather (Highlands and Islands) (SNP): As an accountant, I hanker for a balance sheet as well as the financial reports. How much are the current depreciation reserve and the contingency reserve? On the notional interest, what outstanding debt is that interest servicing?

Derek Croll: The depreciation and notional interest charges are very much a factor of the Holyrood building. Depreciation is charged on the costs of the building. For the bulk of the building, depreciation is charged at 2 per cent per annum because the building will be depreciated over 50 years. Plant and machinery such as lifts and heating and ventilation systems have various asset lives of between 10 and 25 years.

The notional interest charge is part of Government accounting. It is designed to be equivalent to a shareholder return and it is purely a factor of the assets on the balance sheet. It is based on the average of the opening and closing balances and is charged at 3.5 per cent.

Jim Mather: Do you agree that it would be appropriate to report the balance sheet valuation to the Finance Committee so that we can understand what is happening year on year?

Derek Croll: We could certainly publish accounts. The resource account is published every year and the current year's accounts will be available at the end of November or beginning of December.

Jim Mather: What is the explanation for the variation in notional interest?

Derek Croll: It has come down since the 2005-06 budget principally because the valuation of the Holyrood building is slightly lower than we forecast and the asset lives of some plant and machinery are slightly longer than we forecast so the depreciation rates are a bit lower.

Mark Ballard (Lothians) (Green): You said that the contingency exists as a fund for unexpected projects. As I understand it, the Scottish Civic Forum applied to the corporate body for funding. Is that the kind of project you mean? What would have been the cost impact and the budget impact of agreeing that funding?

Nora Radcliffe: That is the sort of thing that might be considered, but we had to consider whether that is appropriate expenditure for the corporate body. I think that the decision was that it was not appropriate for the corporate body to fund that particular project.

Paul Grice: Had the corporate body approved that funding, it would have been in a budget line and not in the contingency. The matter was considered some time ago, so the decision was made in plenty of time for proposing the budget. Had the corporate body taken a different view, the expenditure would have featured in the budget as a specific budget line.

The contingency has to cover everything, including things that arise in the middle of the year. It contains a lot of notional items but, obviously, it is intended to cover things that are not

predicted. It contains some things that we think might happen although, obviously, not everything that we think might happen is included. It is not good practice to put everything in the contingency, so there is a risk-based assessment. The project that Mark Ballard mentioned does not feature in the contingency because of the view that the corporate body took on it. If the position changes, funding will have to be found from the contingency.

Mark Ballard: The notes on the SPCB budget submission state, on page 3, that the budget proposal from the commissioner for children and young people mentions an amount of money for participation. Given the financial difficulties that the Scottish Civic Forum is facing, are the corporate body or the commissioners and ombudsman likely to face any additional costs for participation in work that was carried out on their behalf by the Scottish Civic Forum?

Paul Grice: They did one or two bits of work for the Parliament, but I think we paid for that. Parliament has a budget for participation and a lot of work is done through committees, the Gaelic office and the education service, all of which are budgeted for separately.

The Convener: There are no further questions, so I thank the witnesses for coming along and contributing to our budget discussions.

Audit Scotland Spending Proposals 2006-07

11:00

The Convener: The second item on the agenda is consideration of the Scottish Commission for Public Audit's report on Audit Scotland's spending plans. Members will see that, as well as the report, we have a note by the clerk, which outlines the SPCA and Finance Committee's roles in the process. The committee has overall responsibility for scrutinising all expenditure paid out of the Scottish consolidated fund, but the SPCA has the primary role in scrutinising Audit Scotland's budget as laid out in the Public Finance and Accountability (Scotland) Act 2000.

We do not scrutinise Audit Scotland directly, but instead consider the SPCA's scrutiny and take account of it in our report to Parliament. A revised protocol between the committee and the SPCA, which covers their respective roles, was agreed earlier this year. A copy is attached to the note by the clerk.

I do not have any points to make. I suggest that members note the report. Is that agreed?

Members *indicated agreement.*

Police, Public Order and Criminal Justice (Scotland) Bill: Financial Memorandum

11:03

The Convener: Agenda item 3 is to take further evidence on the financial memorandum to the Police, Public Order and Criminal Justice (Scotland) Bill. As members will recall, last week we took evidence from the Convention of Scottish Local Authorities, the Association of Scottish Police Superintendents and the Association of Chief Police Officers in Scotland.

Today we are taking evidence from Executive officials. I welcome Bill Barron, head of the bill team, Dave Bell, from the marches and parades review implementation team, and Colin Miller, head of the police common services team. It is customary for us to offer witnesses the opportunity to make an opening statement if they wish to, before moving to questions. Do you wish to make a statement?

Bill Barron (Scottish Executive Justice Department): Yes, please. We are glad to have the opportunity to discuss with you our financial assumptions for the bill. I listened with interest to your meeting last week when you took evidence on these matters from COSLA, ACPOS and ASPS and, in particular, to the suggestion that we could have consulted more widely on the figures while the financial memorandum was being prepared. I want to make our position on that clear. Although it is always possible to consult more, we did consult key stakeholders on the financial questions. Our overriding aim was to get the figures right and as realistic as they could be. To that end, we contacted all the organisations that we felt could help us to do that. We were in touch with HM inspectorate of constabulary for Scotland on complaints; United Kingdom Government departments on matters such as mandatory drug testing; Strathclyde police on football banning orders; the Crown Office, the Scottish Court Service and the Scottish Legal Aid Board on the likely cost to them of the policies in the bill; and ACPOS on most of the assumptions affecting the police, including the assumed £2 million time savings in relation to fingerprint readers.

On marches and parades, the position was slightly different. COSLA is on the working group on marches and parades and had been in touch with the Executive, asking for guarantees that ministers would fund any new costs on councils. We contacted COSLA officials more than once asking whether they could put a figure on that, but they were unable to do so before the financial memorandum was published, so we developed

our own estimate. We stand by our figure, but we will take the opportunity to discuss it further with COSLA.

Having made that clear, we look forward to taking your questions. Dave Bell will take questions on public processions, Colin Miller will cover the Scottish police services authority and the Scottish crime and drug enforcement agency and I will do my best to help you with anything else.

The Convener: Derek Brownlee wants to pursue the brownies question.

Derek Brownlee (South of Scotland) (Con): It was not so much the brownies that were concerning me as the more traditional parades of the south of Scotland. Last week, when COSLA was before the committee, the view was expressed that the bill would catch traditional processions such as common ridings. My understanding, on a plain reading of the bill, is that any march, as we would understand the term, would be caught by the bill, although I know that guidance may be produced. Is it your position that the bill catches, and is intended to catch, any march or procession?

Dave Bell (Scottish Executive Justice Department): The bill says that the only people who are exempt are funeral directors and any other body that is specified in an order that is made by Scottish ministers. We have asked the working group on marches and parades to identify bodies that it thinks should be exempt from notifications. We will put any suggestions to the minister for her to take a decision on whether those bodies should be exempt.

Sir John Orr's review found that there was a lot of inconsistency in who was being exempted in different council areas. We want to make the exemptions more uniform. By putting the matter in the hands of Scottish ministers, we should get consistency throughout Scotland so that if a body is exempt in Edinburgh, it will also be exempt in Aberdeen, in Glasgow and throughout the country.

Derek Brownlee: That gives you and us a practical difficulty in identifying the likely cost of implementing the bill. Those exemptions are not in the bill and we do not know what decisions Scottish ministers might make once the bill is passed. Does that not give us a huge degree of uncertainty as to the likely cost?

Dave Bell: I hope that we will get some feedback on that from the working group fairly quickly, so that we will be able to get a view from the minister on the bodies that are likely to be exempted. That will give us more of a steer as to the bodies that will not fall into the categories of exemption.

Derek Brownlee: A significant number of marches will be one-offs and specific to local areas, so they will not be organised by bodies, as such. Other marches throughout Scotland will be conducted by organisations that are bodies in the terms that you have described. Will the provision to give Scottish ministers the power to exempt such bodies also enable them to exempt individual marches? For example, a small community in the south of Scotland might have a traditional march that is unique to a town or village. How could that be dealt with?

Dave Bell: It depends. If a march was held every year, we would need to see whether there was scope in the bill for ensuring that, where appropriate, it could be exempted. However, there is nothing in the bill specifically to exempt unique events such as the make poverty history march—they would have to go through the notification process.

Derek Brownlee: In his opening statement, Bill Barron said that he stands by the figure in the financial memorandum. I have taken on board what he said about the uncertainty over what Scottish ministers decide. However, last week, COSLA was adamant that the figure in the financial memorandum is a significant understatement. How do you respond to that?

Dave Bell: We have spoken to COSLA about funding right from the outset. We are happy to continue that dialogue and look at the evidence for what it thinks will need to be added on to the cost. We have not had a chance to speak to COSLA about its latest submission, but we are happy to do that. It is an on-going process.

In the Glasgow area, a pilot study of some of the recommendations has been commissioned. That is not due to report until December. We hope that, once that study reports, we will have something much more solid on which we can start to base our figures with accuracy.

Derek Brownlee: The scope of the marches that will be included, which we discussed initially, is one thing, but COSLA said that its estimates are based on the type of marches that are caught by the current legislation so, even on the basis of the marches that you both think will be covered, there is a significant disparity in the cost estimates. This question might not be a fair one but, given the lack of detail on what councils are expected to do to comply with the proposed legislation, are there any plans to produce guidance notes before the bill proceeds any further, or will we have to wait until further down the line?

Dave Bell: The working group will prepare guidance that we hope will be issued during the bill's passage. We hope that, by early next year, we will have draft guidance ready to circulate to

key bodies for their comments and that it will allow us to address some specific questions that we are being asked at the moment.

Derek Brownlee: Any appropriate guidance will also depend on carve-outs by ministers. Will it be kept under review until ministers decide whether certain marches will be considered for exemption? If we go back to the rather facetious point about the brownies, I imagine that the consultation for such marches will differ from that for more contentious and controversial marches.

Dave Bell: We hope those decisions will be made fairly quickly so that we can take them back to the group and incorporate them in our work on drawing up the final figures.

The working group also seeks to ensure that, where there is no great contention, organisations will find the notification process as straightforward as possible and not time consuming. Obviously, in more contentious cases, more work will have to be done and more consideration given.

Derek Brownlee: Did anyone think about putting that in the bill instead of keeping it for guidance and leaving it to ministers' discretion?

Dave Bell: Are you talking about exemptions?

Derek Brownlee: Yes. Did anyone think about giving greater detail on likely exemptions and levels of guidance in the bill?

Dave Bell: Not that I am aware of.

Derek Brownlee: Given the lack of precision in the figures in your financial memorandum and COSLA's alternatives, the committee finds it difficult to take a view on whether either set is reasonable.

Dave Bell: We are certainly keen to discuss the figures further with COSLA. For example, its new figures contain quite considerable costs for advertising that we are not sure are necessary. After all, the bill leaves it to individual local authorities to decide how they keep their communities informed. Moreover, it appears to have based the figures on those in the Orr report, which are figures for 2003, and we want to consider more up-to-date ones. As a result, we want to discuss several issues with COSLA and are happy to report back to the committee on any further discussions that we have.

Dr Murray: Derek Brownlee's line of questioning has just opened up a new anxiety for me. Common ridings and other processions in the south of Scotland require roads to be closed. Under current guidance and the audit procedures that councils have to follow, the council is required to charge organisations for closing the road. I am a bit worried that if the legislation does not exempt events such as common ridings, the council will

have to levy a nominal charge on organisations for this as well.

11:15

Dave Bell: To be honest, I do not know enough about road closures, although I understand that charitable bodies are exempt from having costs placed on them for road closures.

Dr Murray: Many of the committees that organise common ridings and so on do not have a constitution. Councils have managed to get round some of the road closure problems, but I am a bit anxious that the bill could place another pressure on some of those traditional events.

Dave Bell: It is certainly not our intention to place unnecessary burdens on people that might prevent them from holding marches and parades. Unfortunately, I do not know enough about what has been said about road closures to be able to tell you one way or the other what the situation is.

The Convener: I raise a procedural issue and pick up on Derek Brownlee's point. You propose a legislative change that is, at the very least, capable of different interpretation because of the absence of guidance. That places a serious difficulty on the Finance Committee. If you had given us even some preliminary guidance to define what you mean by contentious marches and the kinds of things that ministers might be expected to exempt, that would have narrowed the financial parameters. The absence of that places the committee in a difficult position.

Bill Barron: It is worth noting that the COSLA paper that the committee received this morning also talked solely about contentious marches, which are what the debate on costs will be about. I am sure that there will be a resolution of the issues to do with non-contentious marches.

The Convener: I hope that there will be, but it is not in your proposals and that is the problem. You have proposed legislation that says that all marches will be subject to the framework, but you now say, "Actually, we only mean contentious marches." That presents us with a difficulty. Although I appreciate that you might be able to give us greater clarification further down the road, by then the time for financial scrutiny will have passed. That will not allow us to go through the intended legislative process.

Dave Bell: I hope that we can make the draft guidance available to the committee fairly shortly. We are currently consulting the working group to try to get the guidance into a format that we can issue to people for consideration.

Mr Swinney: I will follow up what the convener said. We are being asked to look at the financial implications of the bill based on a memorandum

that has been provided to us by the Scottish Executive. In response to Derek Brownlee's questions on substantial areas, we were told that that information will be put into guidance, which we do not yet have. Knowing the way in which the Executive goes about legislation, I imagine that that guidance will not be finalised until a considerable period after the bill has received royal assent. I am therefore concerned about how we can fulfil our statutory duty to undertake proper scrutiny of the financial implications of the bill if substantial judgments about how far the bill will apply to different organisations will not be clear until the bill has received royal assent.

Dave Bell: I hope that the guidance will be ready before then. We hope to issue it to everybody for comments at the beginning of the new year and we hope to receive responses fairly quickly so that the finalised—

Mr Swinney: My point is that we are currently looking at the financial memorandum that has been published by the Scottish Executive. There is a substantial amount of uncertainty about how extensive the financial implications will be, based on whether numerous organisations—whether they are brownie packs, the organisers of common ridings or remembrance parades such as the one that I was at in my constituency at the weekend, or the Orange order or republican groups—will come within the ambit of the bill.

It is reasonable for the committee to want to know at this stage how many organisations will be involved. How on earth can we make a judgment about whether your figures or those of COSLA are robust, or whether neither set of figures is, if we do not have that type of information?

Bill Barron: I think that you have to go on what you have been given by the witnesses.

Mr Swinney: We have to go on what?

Bill Barron: On what you were given by the witnesses from COSLA last week.

The Convener: I think that the problem is that we raised this as a point of principle in the past when we encountered a similar situation. Now you are coming to us again with a bill whose financial elements depend on guidance that we will not see. The issue is whether the financial memorandum is adequate to allow the committee to perform its functions.

Mr Swinney: I want to pursue the remark that Mr Barron just made. The section on public processions in the Executive memorandum says that the additional cost to local authorities might be £200,000 per annum. In evidence to the committee last week, COSLA estimated that the cost would be £927,500. What you are telling me in effect is that the financial memorandum, which

was submitted by the Government to allow the bill to go through, should not be observed and that we should instead look to COSLA's financial projections.

Bill Barron: No. I am making the point that it is significant that COSLA evidence concentrated entirely on contentious marches.

Mr Swinney: But its estimate of the cost of dealing with contentious marches is still £927,500. Your view is that the extra cost for contentious marches would be £200,000. The committee is therefore no further forward in knowing whether only contentious marches will be in the bill's ambit or whether it will include, for example, every British Legion parade in every town in the country, common ridings or whatever else goes on in other parts of the country.

Bill Barron: I think that we can help you today on the difference between our estimate and COSLA's for contentious marches. The point that I was trying to deal with was the procedural matter about whether you have to wait for guidance on the costs for non-contentious marches.

Mr Swinney: Yes, but I am left with the very strong sense that, until we see the guidance and know what the ministers decide to exempt, we will not know the bill's true financial consequences. That is the point that the convener made about the judgments that we can reach at this stage of the process.

Bill Barron: There is a debate between COSLA and us about whether the costs for the contentious marches would be £200,000 or £1 million plus. I think that it would be reasonable for you to press us on that debate. If you wish to open up another debate about other marches, which neither COSLA nor we have opened, I am not sure that that will go anywhere.

Mr Swinney: With the greatest of respect, Mr Barron, you are here to talk to the bill's financial memorandum. I am unable to tell you whether the bill's financial consequences will include organisations such as those that organise common ridings or whether it will be only contentious marches. If it is just the latter, that is fine. However, I have been in this game long enough to know that by the time we get to the end of consideration of the bill, various other people will be brought within the bill's ambit, costs will increase and we will be left trying to establish, on duff financial information, what the true financial consequences of the bill are.

Bill Barron: No. I understand the problem, but our position is made clear in the memorandum, which says that it is our assumption that the local authorities with contentious marches will need to increase staffing and so on. Our memorandum

makes it clear that that is where we feel the costs will fall.

The Convener: That might have been reasonable if you had produced outline guidance—it would not need to be detailed—to make it clear what kinds of marches would be exempt and what kinds of marches would be included within the bill's scope. I do not really see that made explicit. If you read the bill, you will see that it applies the procedures to all marches and is silent on how exemptions will be made. The difficulty that we have is that there are gaps between the bill, your version of the costs in the financial memorandum and COSLA's version. Therefore, we are trying to juggle three balls.

Dave Bell: Both our figures and COSLA's were specifically based on the contentious marches, which are the ones for which we both believe significant costs might arise.

Mr Swinney: Perhaps I am just being slow here, but we have a bill that, as the convener said, will apply to all marches in Scotland regardless of whether they are contentious or non-contentious. Therefore, the financial memorandum should reflect the bill's impact.

You are now saying to us that the financial memorandum addresses the area of contentious marches because you think that they are the only ones that will come within the ambit of the bill. However, I am pretty sure that I heard an earlier answer given to Elaine Murray to the effect that it was likely that every march would have to go through some form of notification procedure under the auspices of the local authority. It is completely unsustainable to say to us that the only issue is the contentious marches, because that is not what the bill says.

Dave Bell: We think that there will be significantly more work for people who are involved in pre-march meetings and post-march meetings with march organisations, and in places where more community consultation is going to be necessary. That will be for marches that we already know have issues, such as the ones that we have identified.

Mr Swinney: Let us look at the problem another way. What estimate have you made of the increased level of activity that will have to be undertaken to give authorisation for a non-contentious march to take place?

Dave Bell: We do not believe that there will be any significant increase in the amount of activity. The organisation will still have to submit its notification to the council which, if it has no issues with the march, will give the go-ahead, although, obviously, the police will have to be notified.

Mr Swinney: So the council does not have to advertise the march publicly.

Dave Bell: I do not think that that is necessary. The bill states that the council has to have a list of all previous marches and notifications of marches and it has to make that available. There is nothing in the bill to say expressly that councils have to advertise marches.

Mr Swinney: One of the points that the COSLA representative made last week was that it would be reasonable to expect a local authority, in fulfilling its statutory obligation under the bill to undertake adequate consultation about a march, to put an advert in a local newspaper saying, for example, that the local British Legion intends to march for remembrance day and any objections should be sent to the council by 1 November. In any local newspaper in the country that advert would cost £150 and that would have to be paid in order to satisfy the statutory obligation of consultation. If it is going to cost £150 for every advert for every remembrance day march, and for all the other marches that take place in the country, local authorities around the country will have to pay a fair amount of money. We need to know what is expected of consultation and the statutory obligations that local authorities will have to meet to make sure that it is done effectively.

Dave Bell: The bill does not specifically mention community consultation. We have taken the view that under the Local Government in Scotland Act 2003, consulting on marches and parades can be done as part of the community consultation process that is already on-going at the moment. We have not specified how—

Mr Swinney: So that will have no financial implications for local authorities. That is your position.

Dave Bell: At the moment, we take the view that the Local Government in Scotland Act 2003 community consultation process covers consultations on marches and parades.

11:30

The Convener: Why, then, when you were framing the bill, did you apply it to all marches rather than limiting it to controversial or contentious marches? Would it not have been possible to leave the position in the Local Government in Scotland Act 2003 as it was for non-controversial marches and to design the bill in such a way that it applied only to those marches that you wished to regulate?

Dave Bell: Part of the reason for having the review was the desire for consistency in the way in which marches and parades are dealt with across Scotland. Some of the recommendations that were

made by Sir John Orr give us a framework for achieving consistency in the way in which issues are dealt with and decisions are taken.

The Convener: Were Sir John Orr's comments on consistency not to do with the desirability of consistency across Scotland in the treatment of contentious marches rather than consistency between the brownies and the Orange order?

Dave Bell: In the review, Sir John covered all marches and parades.

The Convener: But the costings and the burden of his report were on contentious marches.

Dave Bell: Yes, because those are the ones that we think will involve additional costs in terms of the notification process and the additional need for meetings with march organisers, debriefing sessions and so on.

The Convener: I am not sure that I necessarily accept that. However, carrying on from what John Swinney was saying, can you give a clear indication that the guidance will be such that the arrangements for non-contentious parades will impose no additional burden on local government, or are you not in a position to make that statement?

Dave Bell: Would it be helpful if we were to submit a paper saying what the guidance is going to cover and covering the issue of exemptions?

The Convener: Something on the principles would be helpful. However, what would be particularly helpful from COSLA's point of view is an explicit answer to the question that I have just asked you. If the parameters of the bill are going to be such that the costs are associated only with contentious parades, as has been suggested, we need to know how "contentious" is going to be defined. We also need to know what is going to happen to those marches or parades that are not deemed to be contentious and whether there are any financial implications that neither you nor COSLA is currently taking account of. I would like an assurance that we are not talking about an unacknowledged cost.

Dave Bell: We are happy to continue our discussions with COSLA about the implications of the provisions on marches and parades and we are happy to consider any evidence that it has about whether the proposals will go beyond contentious marches. Certainly, when we originally considered the matter, we did not believe that the additional burden of the provisions on non-contentious marches would be significant enough to justify extra administrative resources being sought.

The Convener: On the issue of the contentious marches, can you explain the discrepancy

between your figure of £200,000 and COSLA's figure of £927,500?

Dave Bell: When we came up with the £200,000 figure, we had spoken to COSLA and Glasgow City Council to see whether we could come up with a formula that we could use. At the time, however, they were not able to give us anything. We basically took the figures in Sir John's report, which identified five local authorities as being the ones that had the most marches. We felt that the most significant impact would be on those councils and we came up with the figure on the basis of extra administrative costs for them. However, at that time, we did not have anything over and above that. We had spoken to COSLA about the Glasgow pilot with a view to getting more accurate figures from that when its results are published in December.

The Convener: Given the information that you have now, is your figure of £200,000 or COSLA's figure of £900,000 more reliable? Which is more realistic?

Dave Bell: I understand that the £900,000 relates to communication costs, advertising in local newspapers and so on. I would like to discuss the figure further with COSLA, because not every march will necessarily have to be advertised in a newspaper. The figures are probably higher than those that we would have given if we had gone down the route that COSLA took.

We acknowledge that an additional administrative burden will be placed on some councils and we agree with COSLA that some key local authorities will be affected. We should target those authorities. However, I would like to speak to COSLA more about how it produced some of its figures.

The Convener: So the figure could be £200,000, if your original proposition is right; it could be £900,000, if COSLA is right; or it could be more than that, because COSLA's figure is based on the figures for five local authorities, and more local authorities may well have to deal with marches, as COSLA's submission says.

Bill Barron: COSLA's figures are £400,000-odd for administration and £900,000-odd for advertising. We very much take exception to and challenge the advertising figure. That narrows the subject to a debate between £200,000 and £400,000, which is less than the difference that was discussed last week.

Mark Ballard: I will continue the line about the guidance on contentious marches. West Lothian, which is in my region, has a significant number of republican and Orange marches. However, many marches in Edinburgh take place here because the Parliament is here; they are political but are

not necessarily republican or Orange order marches. Will such marches be classed as contentious? If so, how will the guidance be constructed to deal with them?

Dave Bell: I do not think that such marches will be classed as contentious. The working group must consider the matter and provide more guidance on what will fall under the term, but I do not think that the make poverty history march, for example, would have been considered contentious, because it did not attract a negative reaction from the public.

Mark Ballard: A march in favour of congestion charging in Edinburgh would be a fairly contentious march on a current political issue. Will the definition be based on the wider community's response to marches?

Dave Bell: Many marches are annual, so we hope that local authorities could identify those that would cause communities most concern.

Mark Ballard: Without advertising, the need for which Mr Barron questioned, how will it be possible to tell which marches cause communities concern? If the decision is for a council to make, that makes it subjective. Surely the advertising that the COSLA submission mentions will be needed to detect whether a march is contentious. COSLA makes it clear in its submission that it considers its figures to be

"an under-estimate of the total costs to local government",

because it has not taken into consideration areas such as Edinburgh. How will contentiousness be detected without advertising, and who will pay for advertising?

Dave Bell: The bill's only express provision on local authorities is that they should maintain records of marches that are held in their areas. They will publish those records and the notifications of marches that are sent to them. Beyond that, it is for the local authorities themselves to decide how they publicise that information so that their communities know that it is available.

Mark Ballard: But Mr Barron questioned whether the advertising was necessary. You seem to be saying that advertising is a responsibility on local authorities and that it is for local authorities to choose whether to advertise. There is a difference. Is whether to advertise a choice for local authorities or, as Mr Barron seemed to say, is it unnecessary for local authorities to advertise?

Dave Bell: Making lists of notifications available is not a choice—it is part of the bill—but how local authorities advertise them and make their communities aware of them is left up to them.

Mark Ballard: But COSLA states that meeting the requirement to

“make arrangements to ensure that anyone is able to receive information about processions which may be held in their area”

would result in considerable expense for local authorities.

Bill Barron: I was not saying that there should be no advertising; I was saying that I find dubious the suggestion that it would be necessary to spend more than £1,000 on advertising every one of 300 marches in Glasgow.

Mark Ballard: But do you acknowledge that there would be a cost for advertising, and that, given that advertising in the *Edinburgh Evening News* might cost £500 per advert, the City of Edinburgh Council might face considerable costs in advertising political, and therefore potentially contentious, marches?

Bill Barron: I do not think that we know the answer. The bill establishes that there need to be working communication channels. I do not think that we know whether that would require advertising on that scale for very many marches.

The Convener: I want to pursue a couple of issues that arise out of what Mark Ballard said. Presumably, the bill puts legal obligations on local authorities to comply with its requirements on notifying the public. Is it the case that a local authority could be legally challenged for not adequately advertising marches, and that that could lead to a situation in which, whatever your intention at this point, local authorities would be legally required to advertise on a much wider basis than you anticipate? Our difficulty is that you are putting an obligation on authorities, but you are not circumscribing it. Even if you tried to circumscribe it, could you effectively do so? The unintended consequences could be serious for local government.

Mr Swinney: Section 66(8) states:

“A local authority shall, as soon as possible after making an order under subsection (4) above, publicise that fact in such manner as they think fit”.

How does a local authority publicise something? In an answer to Mark Ballard, reference was made to not putting an advert in the paper. How can a local authority guarantee that it will be able to get across to people the notification that it has approved a particular march?

Dave Bell: Individual local authorities will know best how to make their communities aware of marches and parades in their areas, so we have done nothing more than leave it open to them to take a view on how to do that.

11:45

Mr Swinney: The convener made an important point in relation to the danger of legal challenge. Let us take, for example, Glasgow City Council, and the advertising of marches in newspapers under section 66(8). Anyone who has advertised recently in *The Herald* will know that it costs a tidy sum to do so. If, after spending £30,000 on such advertising in one financial year, the council decides that it will not do it again and instead puts up a notice outside Glasgow City Council headquarters saying that there will be an Orange order march in the east end of Glasgow, somebody might come out of a shop on the day of the event to see an Orange order march going past and say, “I didn’t know about this, and I should have been told about it under the new law.” That person could go off and raise an action, and the court could determine that sticking up a notice outside Glasgow City Council’s headquarters is not sufficient to notify the citizens of Glasgow that there is going to be an Orange order march. There is a danger of legal challenge to local authorities, whose representatives have, quite reasonably, highlighted a number of additional costs that are likely to arise out of the bill.

Dave Bell: I have to be honest and say that I do not know the potential for legal challenges. I would have to take that point away and come back to members with a view, but I cannot say off the top of my head.

The Convener: Nora Radcliffe, who was present earlier, talked about expecting people to do their best, but I would like to put a different scenario to you. Suppose that a small political organisation—not necessarily the Green party, but perhaps a group that was interested in marching routinely to demonstrate about congestion charging or some other issue—could muster 10 people but decided that it wanted to notify authorities right across Scotland of its intention to hold weekly marches on a certain issue. Presumably such an organisation could require local authorities to advertise its presence and activity over a period. It would be an effective way of ensuring wide publicity for a cause and getting local authorities to pay for it.

Mr Swinney: Be careful how many good ideas you throw out, convener.

The Convener: Would that be permitted under the bill?

Dave Bell: The councils would have to deal with that situation as they saw fit.

Mr Swinney: That brings us back to the danger of legal challenge. You are putting a duty on local authorities on which—certainly, as I read it—a local authority could be tested. That could be controversial ground. If people have strong

feelings about a specific march, whatever it might be about, and if there is a duty on local authorities to provide adequate notification, local authorities will be in the frame for legal challenge if people take exception to the manner in which the matter is handled.

Dave Bell: As I have said, I do not know the answer to the question on legal challenge, but I am happy to take it away and respond to the committee later.

Dr Murray: On the question of what is contentious and what is not contentious, you have said that political marches would not generally be considered contentious, but what if the British National Party decides to march in an area with a high concentration of ethnic minority residents—or indeed, as far as I am concerned, if it decides to march anywhere? In those circumstances, the people who feel under threat might well feel that the march should have been treated as contentious.

Dave Bell: As part of the guidance, we want to get the working group's view on such issues. The working group includes COSLA and all the other local government and police bodies, and we are certainly happy to consider the issue and see what can be included in the guidance to give people a better steer.

The Convener: I have one final question. In the process of deciding the parameters of the bill, was consideration given to whether the costs of notification and advertising should fall entirely on the council taxpayer or whether they should be passed on to the march organisers or any other person?

Dave Bell: The legal advice that we were given was that we cannot place any financial burdens on march organisers; any financial burden on them would infringe their human rights. Therefore, we were told that that is a route that we cannot take.

The Convener: However, you are allowed to impose burdens on the council taxpayer that they might not have asked for.

Dave Bell: Well, that is—

The Convener: It is a rhetorical question.

We move on to knife crime.

Mark Ballard: Paragraph 246 of the memorandum, "Amendments To The Law On Knife Crime, Costs on the Scottish Police service", states that:

"Any saving accruing from a consequent reduction in the numbers arrested for the offence of carrying a knife is likely to be similar to the additional costs to the police arising from the widening of this offence and hence we anticipate that this will be cost-neutral overall."

Mr Barron talked about consulting stakeholders such as ACPOS. However, we heard from ACPOS at a previous meeting that, although it was concerned about levels of knife crime and supported any measures that the Executive put forward to tackle it, it felt that the statement on cost neutrality was speculative and that ACPOS would, at best, reserve its position on the issue.

Can you explain the justification for the belief that the amendments to the law on knife crime would be cost-neutral?

Bill Barron: That paragraph is not the most important one on knife crime. The final sentence, which says that there are two effects that might cancel each other out, could have been worded better to say that we think that both effects are very small. To say that they cancel each other out is perhaps not helpful.

As for our consultation with ACPOS, we made assumptions about how the bill's provisions on crime and law enforcement—drug testing, knife crime, Queen's evidence, fireworks, and fingerprint readers—would work. We consulted informally but in writing the chief constable who is the chairman of the crime business area for ACPOS on all those matters, and he responded in writing.

There has obviously been a lack of communication in ACPOS, which is understandable, as there is a great deal going on and it was a fairly informal consultation. However, we took all our key assumptions in those areas to ACPOS, because, as I said in my e-mail, we did not want to go with those assumptions without having a measure of ACPOS approval for them.

Mark Ballard: I am not quite sure where the miscommunication crept in—whether it was in what ACPOS told us when it said that it felt that it could not justify a position of cost neutrality or in what you are telling us about the consultation. Can you explain why we should listen to your evidence rather than to the evidence that we heard from ACPOS?

Bill Barron: I am not saying that one is more likely to be right than the other. I spoke to the vice-president of ACPOS, who is the chairman of the crime business area; you spoke to the honorary secretary of ACPOS, who is the chairman of the finance business area. The miscommunication was between them.

However, we can look at what they said. Sir William Rae, in his evidence last week, did not take exception to very many of our assumptions. He disagreed with some of the minor ones, but on the vast majority of them he said, "I'm not sure how the Executive gets this; we could do with some more clarification." You should see his comments in that light.

Mark Ballard: Surely the job of the Finance Committee is to seek that clarification. If so, I ask you on what basis you assumed that the provisions would be cost neutral? Are you now saying that they will involve minimal cost rather than be cost neutral? We need to have some idea of the cost implications of all aspects of the financial memorandum if we are to do our scrutiny job.

Bill Barron: As you noted, the financial memorandum refers to

“saving accruing from a consequent reduction in the numbers arrested for the offence”.

We are trying to stop knife carrying at source by preventing the sale of non-domestic knives to those in the 16 to 17-year-old age bracket. We are saying that we want to make a fairly cautious assumption about how effective that provision will be. We think that it will help; otherwise we would not be doing it. However, we are not saying that there will be a lot of cost involved.

Likewise, we do not think that the enforcement costs on the police of having to check whether retailers are selling knives to 16 and 17-year-olds will be substantial. I put it to you that neither effect will be particularly substantial in the scheme of things.

Mark Ballard: The bill will allow the police to arrest people on suspicion of possession, and that wider power of arrest—if it is used—will result in additional arrests, additional visits to the procurator fiscal and so on; in other words, it will have additional costs.

Bill Barron: I agree that that is the more important knife-crime issue for the committee to consider. In the memorandum, we have taken the position that the bill will provide a tool for the police. At the moment, an officer who does knife-crime enforcement will stop and search someone and, if they discover a knife, will ask them whether they have a good reason for carrying it. If they do not, the officer will ask for their name and address. Unless there are any suspicious circumstances—for example, if the officer does not believe the name and address that the person has given or thinks that a more serious offence might be committed—that person will not be arrested. They will be prosecuted later through the ordinary citation procedure. Under the bill, the police will have the option of arresting such a person on the spot and taking them to the station. When that power is used, we think that it will give quicker access to justice and send out a clearer signal to people on the street who carry knives.

There are two reasons why we did not put a cost on that provision. First and foremost, the part of the bill in question provides the police with a tool. How much it costs to use a hammer depends on

how many nails one buys. The decision on how much the tool that the bill provides will cost to use is not for us, but for the chief constables to take. How much will the police use that tool when they do their ordinary knife-crime enforcement? An even more relevant question is how much additional knife-crime enforcement the police might do as a result of having that tool. Both of those decisions are for the chief constables to take. That is why we have not put costs on them.

Mark Ballard: I understand that the additional cost of the knife-crime proposals to the Scottish Prison Service is estimated to be £150,000. Given what you have just said about the total cost to the police force of the changes, how did you get to that figure?

Bill Barron: As you recognise, and as ACPOS said last week, if the police use their new tool to do a lot more knife-crime enforcement, there could be more substantial costs to the Prison Service on the back of that. We have left that to one side because we think that the extent to which that tool will be used is the chief constables' decision.

However, we regard the £150,000 as a direct consequence of the increase in the maximum sentence. Not very many knife-crime cases go through sheriff court solemn procedure. Cases of pure and simple knife crime tend to go through sheriff court summary procedure. In more serious cases, knife crime is usually combined with some other offence, although there is a handful of cases in which, perhaps because of the track record of the offender, the knife crime on its own is sufficiently serious for the case to go through sheriff court solemn procedure. The bill will create the potential for longer sentences in such cases—it seeks to extend the maximum sentence from two to four years. The £150,000 represents five extra man years of imprisonment.

Mark Ballard: The figure seems very low.

Bill Barron: Indeed. That is because a very small number of prisoners go through that procedure for knife crime on its own.

Dr Murray: The police organisations told us that they were uncertain about your estimate of the savings that would accrue from remote fingerprinting. They said that the fact that mobile units were not used in Scotland made it difficult to assess your figure for the savings. How did you arrive at that figure?

Bill Barron: Those savings are difficult to estimate. The fingerprint readers will allow police officers who see someone out on the street committing a minor antisocial behaviour offence to ask that person to give a fingerprint reading there and then. That will let the officers check whether the person is wanted for something more serious. The practical effect of that will be that police

officers will sometimes not need to take an individual back to the station to fingerprint them to find out who they are, because they will be able to do that there and then. That will often save time.

How much time is saved and how often it is saved are more difficult matters to make assumptions about. We have made our best assumptions and set them out in the memorandum. Our assumptions are based on the number of patrol cars—we assumed that one trip back to the station would be saved per week, which would save two officers an hour each time.

Dr Murray: So we are talking about time-releasing savings rather than cash-releasing savings.

Bill Barron: Absolutely. We agree with ACPOS about that, although we do not agree that all our costs are cash costs. In fact, the majority of the costs that we have netted off against the £2 million are also time costs.

12:00

Jim Mather: I want to ask about central funding. At the moment, the majority of policing costs are met through the revenue support grant but, according to ACPOS, an additional 10 per cent of funding is met from council tax and non-domestic rates. ACPOS is concerned that, if the Executive does not provide funding for that 10 per cent, we might end up with a black hole in the funding. What is your view on that matter?

Bill Barron: Our view is that, provided that we can get agreement with COSLA and the police authorities on what the exact figures should be, there would be agreement to follow the chain through in a way that ensures that the changes are cost neutral. We would intend to take the full amount out of the RSG even if it were true that a small amount of funding was normally contributed by council tax payers.

Jim Mather: Do you anticipate that there will be a compensating bookkeeping entry to reduce the money that goes to local government?

Bill Barron: Yes. If it is agreed that certain costs will fall on the Executive rather than be shared 50:50 or 95:5 or whatever the arrangement might be, we envisage that we will make a corresponding change to how the money flows around.

Jim Mather: What benefits would accrue from such a move to central funding?

Colin Miller (Scottish Executive Justice Department): We believe that providing 100 per cent funding from the Executive for the new non-departmental public body for common police services will be a clearer, more transparent and—

to be frank—much simpler arrangement than providing funding through several different funding streams.

In fact, with the exception of part of the Scottish Drug Enforcement Agency, the existing common services have been funded on a 100 per cent basis since April 2004. That is simply a much clearer arrangement. As the new NDPB—the Scottish police services authority—will provide all the common services, including the new forensic science service and the SCDEA, the best solution is for the funding to be given as a single grant from a single source.

Jim Mather: Will that clearer arrangement result only in one-way traffic, whereby money flows down to common police services, or will benefits accrue the other way in the form of a clearer understanding of the effectiveness of policing?

Colin Miller: That will be very much the case. Both the Scottish police services authority and the director of the SCDEA will be required to publish annual plans and annual reports. The authority's overall amount of funding, part of which will be ring fenced for the SCDEA, will also be published and will be allocated by the Scottish ministers in the first instance. The arrangements will be much clearer and more transparent than the existing arrangements, which have developed on an ad hoc basis for each of the separate common police services.

Jim Mather: If we were introducing such a change in the commercial world to make crisper and more easily understood both the flow of cash and the flow of results back, there would be an anticipation that, over the piece, the financial benefits would increment year on year. If the financial memorandum was to be updated each year, do you anticipate that it would detail tangible financial returns?

Colin Miller: That is our hope. We are putting in place a new statutory framework that will allow the common services to be run more efficiently as a whole. By the time that it is up and running, the authority will probably have a budget in excess of £70 million and 1,300 staff to provide services on a national basis. We very much hope that the new authority will be able to provide a better and more efficient service to the police as a whole.

As you will see from the financial memorandum, we have been cautious not to promise any particular level of savings. The bill is certainly not a cost-cutting exercise, but the framework that it will put in place should hopefully allow the services to be provided more efficiently. For example, by bringing all the services together, there should be scope to establish a new corporate services department for the common services as a whole.

Jim Mather: I understand that. I heard the word “hope” a couple of times there, but the committee and the public at large are looking for more than that. Do you plan to distil the figures and produce distinct outcomes that you can use to benchmark effectiveness from one year to the next and show incremental improvement year on year?

Colin Miller: Like every organisation in Government, the new SPSA will be expected to demonstrate that it achieves best value for money. As an NDPB, it will be subject to exactly the same rules on accountability and value for money as any other NDPB is. Perhaps I should have used the word “expect” or “intend” rather than “hope”. We expect that the creation of the new authority and the establishment of the framework will facilitate improved efficiency. Self-evidently, the new organisation will have a much larger critical mass than any of the existing ones have. It is fair to say that, as we are putting together so many disparate organisations that have grown up separately over a long period, it will take time before the body functions as a single organisation and a single back office service. However, that is the direction of travel and that is what the new organisation will be expected to achieve. The bill is an opportunity to provide a more efficient and better service.

The Convener: Another concern that ACPOS flagged up was about the costs of carrying out mandatory drug testing. The financial memorandum mentions pilot studies to investigate the costs. How will the pilot schemes for mandatory drug testing be funded?

Bill Barron: The assessment part will be centrally funded and the funding for the treatment part is under discussion in the Executive. We do not have a funding package planned for the police costs, which are the smallest part of the costs, so they might need to come from existing resources.

The Convener: So, for the police, the pilot scheme would have to be funded from existing resources.

Bill Barron: That is not definite, but it may well be the case.

The Convener: So you cannot ensure that the scheme will be funded in a way that does not divert resources from existing functions.

Bill Barron: I am sorry; I may need to correct what I have just said. No, I stand by it. Will you repeat the question?

The Convener: I presume that, if the pilot schemes are funded from the existing package of resources, there will potentially be diversion from other measures, although I am not saying that that is necessarily a bad thing. Will the police have to manage the pilot schemes within existing budgets?

Bill Barron: Yes. The estimates in the financial memorandum are for £50,000 in police time and £72,000 in equipment and consumables. Those amounts would probably come out of existing police budgets.

The Convener: Is that existing resource budgets and capital budgets?

Bill Barron: Yes.

The Convener: Will the same apply in relation to mobile fingerprinting?

Bill Barron: That involves a much bigger sum—the total spend on equipment will be £4 million. Last week, ACPOS stated that it hoped that that amount will not come out of the capital budgets that have been set for the police to the period 2007-08. Normally, if a medium-sized new commitment to spend on capital came during the middle of a spending review period, we would talk to ACPOS about priorities. I found it fairly surprising that ACPOS said that its capital budgets were fully committed right up to 2007-08, given that flexibility is built into the capital system through prudential borrowing or spending from recurrent resources.

The Convener: So you have not finalised discussions on that.

Bill Barron: We have not got new money to bring as of now but, to the extent that that spend falls within the current spending review horizon—we think that much of it probably will—we would need to talk with ACPOS about the use of police budgets of whose existence ACPOS is already aware.

Mr Swinney: What if ACPOS and the Executive are unable to reach agreement about the use of the existing capital provisions in the budget? What would happen then?

Bill Barron: We would not tell ACPOS that it had to spend money on fingerprint readers if it wanted to spend it on buildings, cars or other equipment.

Mr Swinney: So what would happen to the mobile fingerprint readers?

Bill Barron: I do not think that the situation to which you allude would arise. Last week, Sir William Rae said that ACPOS was looking forward to the technology and acknowledged the big time saving that it would bring. I am sure that ACPOS will be keen that it is funded.

The Convener: Sir William said that there would potentially be a big saving of time, but he also questioned whether any cash savings would be associated with that. What is your view on that?

Bill Barron: As the financial memorandum makes clear, we view the measure as one of time

saving. That is what it is. It means existing officers not having to spend time running back to their police stations. That is a matter of fact. If the question for further down the line is whether that could have an impact on how much budget is made available for police staffing at the time of the next spending review, I would say that that is obviously possible, as all things go into the melting pot when such decisions are taken. However, that is a matter for the future.

The Convener: The committee has no further questions, so I thank the witnesses for coming along today. There were one or two items on which we requested additional information. We will probably need that before Thursday next week—that is, 24 November—in order to complete our consideration of the financial memorandum to the Police, Public Order and Criminal Justice (Scotland) Bill and to submit our report to the lead committee.

External Research

12:12

The Convener: Our fourth agenda item is to consider commissioning external research. As members will recall, we agreed at our meeting on 1 November that, in principle, we would like to commission external research into the effect that the Scottish budget has had on the economy. Arthur Midwinter said that he and Ross Burnside from the Scottish Parliament information centre would return to us with a more detailed proposal, which we now have before us. If members agree to the proposal, we will seek the necessary approval, as the paper before us says. A tender exercise would then need to be carried out. We need to plan everything well in advance before we conduct any research.

I invite Arthur Midwinter to make any comments that he wishes in connection with the paper.

Professor Arthur Midwinter (Adviser): I have no comments, apart from highlighting the statement that Mr McCabe made last week about it being impossible to measure the amount of spending on any of the three cross-cutting priorities. That makes it all the more urgent to carry out the proposed research and to find alternative ways of evaluating performance.

Mark Ballard: As committee members probably know, I believe that we should consider not just the quantity of growth in gross domestic product but also the quality of economic development. I recognise that the paper deals with the Executive's strategy, which is about economic growth, but I feel that there is a lack of clarity in the aims and objectives of the research proposal. In the second line of paragraph 1, under the heading "Research Proposal—Aims and Objectives", the paper mentions "annual economic growth"; in the second line of paragraph 2, the "economic impact" of spending is mentioned; the fourth line of paragraph 3 has "sustainable economic growth". While recognising that the subject is economic growth, I think that it would be helpful if we could take a wider look at the economic impact of Government spending decisions. It is possible to increase GDP simply by spending more money, but we need to consider the quality of the result of that. We need to consider the Executive's provisions in terms of long-term, sustainable economic development.

While retaining GDP, because of its importance to the Executive, I would like the scope of our paper to be widened so that we can consider those wider economic impacts and the long-term economic development potential.

12:15

Jim Mather: I hear exactly what Mark Ballard is saying. There is an interesting review on page 115 of this week's *The Economist* of a book by Benjamin Friedman called "The Moral Consequences of Economic Growth", which would cover that quite nicely.

Item 1 on page 2 of the research proposal says that

"economic modelling ... may be appropriate".

Anton Muscatelli and other former colleagues of Professor Midwinter at Strathclyde University did some work that considered that—there may be a line of least resistance there.

Ms Wendy Alexander (Paisley North) (Lab): We need to ask the Conveners Group whether it will finance the research. The timetable is reasonable—we would presumably be tendering for the work in January for a report that would come to us in September—but this is a phenomenally challenging piece of work. I am happy to leave it to the convener and the clerks, but the sheer scope of the proposal means that there is no point to it unless it is resourced properly. When we invite tenders, there must be some space for people to scope out what it would take to do the work, which might involve a bit of backward and forward with the committee. It is better to do it well.

We faced a similar challenge when we commissioned Tribal HCH's work on economic development. Tribal's view was that, even within the resources that it had, it was still a phenomenally difficult area to embark upon. This research is even more ambitious than what we asked Tribal to do. We should not fudge to the Conveners Group what the bottom line of undertaking this research is likely to be. That bottom line may be reflected in the work that Tribal did for us. It is impossible to specify that at this stage, but we should not be naive about the ambition of this research. It is an exercise that the Executive has not sought to take on.

The Convener: Arthur, do you want to respond to the points that have been raised?

Professor Midwinter: I will move backwards because it is easier for my memory. We have had preliminary discussions with a number of leading economists. It would be normal practice in an exercise such as this to take advice from them when they are making the bids, to see just what is or is not doable. I am not sure that the work is beyond the pale, particularly as large chunks of it would be a literature review, rather than economic modelling.

It would be much more difficult to do what Mark Ballard wants—I cannot see that fitting in with the

committee's role on the budget. Mark wants to get into much wider questions than those that fall within the narrow remit of the committee at this stage.

Jim Mather is correct that some modelling has been done. Our economists could have conducted the first task, but I felt that they were under enough pressure, and that that particular part will allow us to strip out. One of the difficulties is that economic growth and, in particular, the output of the public sector, is mirrored differently in Scotland, which has a distorting effect on the results. This research is one way of getting to the bottom of that. It would allow us to see more clearly what is happening within the statistics for the market sector of the economy. The advice that we have been given is that there is a fair bit of evidence in the literature regarding the economic impact of different types of expenditure. Given the lack of a target and the lack of overall knowledge in the Executive of how much it spends on economic development, that would be extremely useful to have in the run-in to the spending review. The research would give us a way of at least trying to get to grips with that.

Jim Mather: Arthur Midwinter alluded to the significance of the public sector. It looks as though the weighting on the public sector in calculating GDP is that it is 27 per cent of GDP. My understanding is that 23 per cent of employment is in the public sector. If that is the case, the assumption is that the balance is private sector employment. What about private sector profits? It does not compute. It does not make sense to me as a viable reflection. In carrying out the review, the question is perhaps to clarify the dubious nature of GDP in Scotland.

Professor Midwinter: I am happy with that—that was in my mind. At times we have an unreal debate because of the lack of comparability between the figures. The research would allow us to see, in a narrow sense, the direct impact of the Scottish budget on those growth figures. That is a straightforward calculation. There is then the wider issue of considering how the Scottish budget and the programmes within it can support the market sector in developing that element of growth in the economy. We would probably come back to the committee once we had feedback from the potential tenderers, who will have a view on what they think is possible and doable.

The Convener: Is the committee content to try to get this on the stocks and to go through the necessary procedures in the Parliament to initiate the tender process? We will consult the committee at a later stage, once we have established the precise parameters of what we are doing.

Mr Swinney: Arthur Midwinter's last point was about trying better to understand the impact of

public spending on economic growth. That is an essential part of understanding the dynamics of our public spending and would be a worthwhile exercise.

Mark Ballard: On Jim Mather's point about how we calculate GDP, there are two separate issues: how we calculate GDP and the nature of the debate; and the more substantive issue, which is how spending contributes to economic development. In talking about the wider issue of economic development we have to be careful not to get hung up on a particular way of calculating a measure such as GDP, or even on one particular yardstick such as GDP. I take Arthur Midwinter's point about the remit and what it is possible to do in the research, but it is important, as ever, not to get hung up on one particular yardstick.

The Convener: I am sure that whatever research we do, different political perspectives will put a different interpretation on it. What is helpful is to get some of the ground-clearing work done.

Professor Midwinter: I agree with Mark Ballard—there is a bigger issue there about how we measure economic activity in the wider sense. However, this measurement is the one that we have to live with in the budget, and the focus should be on it for this exercise. It might be for the Enterprise and Culture Committee or another committee to consider the bigger issue.

The Convener: I will put the mechanisms in place to secure the necessary approval and to start off a tender exercise.

Item in Private

12:23

The Convener: The final item on our agenda is to ask members whether they agree to take the draft report on the financial memorandum on the Abolition of NHS Prescription Charges (Scotland) Bill in private at our next meeting. Are members agreed?

Members indicated agreement.

Meeting closed at 12:23.

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