

# **FINANCE COMMITTEE**

Tuesday 30 October 2007

Session 3

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## FINANCE COMMITTEE

### 6<sup>th</sup> Meeting 2007, Session 3

#### CONVENER

\*Andrew Welsh (Angus) (SNP)

#### DEPUTY CONVENER

\*Elaine Murray (Dumfries) (Lab)

#### COMMITTEE MEMBERS

\*Derek Brownlee (South of Scotland) (Con)

\*Joe Fitz Patrick (Dundee West) (SNP)

\*James Kelly (Glasgow Rutherglen) (Lab)

\*Liam McArthur (Orkney) (LD)

\*Tom McCabe (Hamilton South) (Lab)

\*Alex Neil (Central Scotland) (SNP)

#### SUBSTITUTE MEMBERS

Roseanna Cunningham (Perth) (SNP)

Ross Finnie (West of Scotland) (LD)

Murdo Fraser (Mid Scotland and Fife) (Con)

Peter Peacock (Highlands and Islands) (Lab)

\*attended

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Mark Brough

#### ASSISTANT CLERK

Allan Campbell

#### LOCATION

Committee Room 2



## Scottish Parliament Finance Committee

*Tuesday 30 October 2007*

[THE CONVENER opened the meeting at 14:02]

### Decision on Taking Business in Private

**The Convener (Andrew Welsh):** Good afternoon and welcome to the sixth meeting of the Finance Committee in the third session of the Scottish Parliament. I remind all members to switch off their mobile phones.

Agenda item 1 is consideration of whether to take item 4 in private. Item 4 is consideration of candidates for the post of adviser for our capital investment inquiry. As that will involve discussion of named individuals, I propose that we take it in private. Is that agreed?

**Members indicated agreement.**

## Graduate Endowment Abolition (Scotland) Bill: Financial Memorandum

14:02

**The Convener:** Item 2 is to consider our approach to the Graduate Endowment Abolition (Scotland) Bill, which was introduced into Parliament on 23 September. As the Finance Committee, we are concerned not with the policy implications of legislation but with the financial implications. We would seek to take evidence from any bodies on which costs fall and from Scottish Government officials, rather than from ministers.

As members are aware, we have a three-level approach to scrutiny of financial memoranda. The paper from the clerks suggests that we adopt level 2 scrutiny for the bill, which means that we would take oral evidence from Scottish Government officials and then produce a report for the lead committee. I invite members to comment.

**Alex Neil (Central Scotland) (SNP):** There is one minor omission from the clerks' paper. It refers to the operating costs that the bill will save the Student Awards Agency for Scotland, but I suspect that some operating costs for the Student Loans Company are involved, as the vast bulk of graduate endowments are capitalised and then recovered from the Student Loans Company. However, as the Student Loans Company is a hybrid organisation, any costs might be minimal, as it is collecting the money anyway, and they might not necessarily fall on the Scottish Government. Apart from that, it is a reasonable paper.

**The Convener:** Do members agree to adopt level 2 scrutiny, as set out in the clerks' paper?

**Members indicated agreement.**

## Work Programme

14:04

**The Convener:** Item 3 is consideration of the committee's work programme. The clerks have produced a paper that sets out the commitments that we have already agreed; comes back with further information that members requested on several issues; and highlights a number of issues that have arisen since the previous consideration of our work programme.

I will go through the paper, asking for members' comments on various issues in the order in which they appear. First, the clerks have issued a paper on "The Crerar Review: The report of the independent review of regulation, audit, inspection and complaints handling of public services in Scotland", which was published only recently. As members will note, given that many scrutiny bodies operate in areas of specific interest to various subject committees, those committees are bound to be interested in the review's contents.

Do members wish to take this issue forward initially with a one-off evidence session early in 2008, potentially with Professor Crerar, the Cabinet Secretary for Finance and Sustainable Growth and a representative of the Scottish Parliamentary Corporate Body?

**Members indicated agreement.**

**The Convener:** Does the committee therefore wish me to write to the Scottish Government before that meeting to ask whether it might introduce any legislative changes with regard to parliamentary commissioners and ombudsmen?

**Members indicated agreement.**

**The Convener:** Secondly, we have a paper on the mechanisms for agreeing pay for senior public officials. Does the committee wish to carry out further work on this issue?

**Alex Neil:** Perhaps I should come in here, as I originally brought the issue to the committee's attention. There is a Scottish Executive policy called "Public Sector Pay Policy: Policy for Senior Public Appointments 2007-08", which relates to chief executives, chairs and members of public bodies. Given the public concern about the level of remuneration for certain public sector appointments, we should look at that document. I am not suggesting that we have anything like a full-scale inquiry on the matter. However, as well as considering the matter from a wider perspective, we could have a one-off evidence session with the finance directorate to find out, first, whether the policy is appropriate—the policy is set out in a fairly substantial, 24-page document and I do not think it has ever been scrutinised in

the Parliament's eight years—and, secondly, whether it has been properly implemented. Indeed, I believe that John Swinney has already asked publicly whether the policy has been properly pursued in relation to one particular quango. As it represents a legitimate area of interest for the Finance Committee, a one-off session to establish the current position would be helpful.

**Derek Brownlee (South of Scotland) (Con):** I have no objection to Alex Neil's suggestion, but it strikes me that our examination of public sector pay will be rather lopsided if we look only at senior public sector pay—which I accept there is public concern about—without considering the broader issue, which, after all, has fairly fundamental consequences for the committee's routine work. I am not sure that, in the on-going budget process, the committee will necessarily look at the broader issues surrounding public sector pay as a whole, as opposed to those relating to the senior posts that are mentioned in the paper before us. If we are going to look at the issue of pay for senior people, we will also need to consider the overall pay bill, whether the procedures that are followed for other groups of staff are appropriate and, indeed, whether they have any consequences for public service provision in Scotland.

**Joe FitzPatrick (Dundee West) (SNP):** My experience in local government suggests that the salaries of posts below senior level are subject to a much higher level of democratic scrutiny than those at senior level. It is certainly appropriate that we examine that gap, but I do not see the need to consider both issues at the same time.

**The Convener:** Those posts are part of a system that has as its first line of protection certain democratic safeguards. However, I feel that we are moving from Alex Neil's idea of having a one-off session to something much wider.

**Alex Neil:** Perhaps I can suggest a compromise. We could have a one-off session and then review the outcome to find out whether we need to consider the issue in more depth or to broaden our examination to cover the issues that Derek Brownlee has raised. If we start with a one-off session, we might decide to kill it there and then, or we might decide that the committee needs to consider it further. Would that be a good compromise?

**Derek Brownlee:** It might be, but it might also be useful to get a similar paper on other pay mechanisms within the organisations that are covered in this paper, so that we can compare what is happening in the organisation as a whole with what is happening to the senior staff. That might be a suitable compromise.

**Alex Neil:** So we would have two papers. If we did the one-off session and covered both papers, we could then decide whether we wanted to do any further work.

**The Convener:** I suggest that the clerks take on board what has been said and come back to the committee with a suitable suggestion. They should also consider how the timing fits in with the overall work programme. Our further work on this issue will be based on the paper that has been proposed in this discussion, which will come back to the committee. Is that agreed?

*Members indicated agreement.*

**The Convener:** Thirdly, we have a paper from the Scottish Parliament information centre on economic statistical publications. Does the committee wish to examine any of those publications in greater detail?

**Elaine Murray (Dumfries) (Lab):** The paper refers to the "Public Expenditure Statistical Analysis" and "Government Expenditure and Revenue in Scotland" as being particularly relevant to the committee's remit. I would quite like to do more work on both sets of statistics because they are important. PESA seems to be the basis on which the Scottish Government has calculated its baseline and made its claims about the level of increase that it will be getting, so it is worth considering that and its relevance. GERS is always controversial, so it might be worth coming back to it again.

**The Convener:** You would like to have another look at those two subjects.

**Elaine Murray:** Yes.

**The Convener:** Is that generally agreed?

*Members indicated agreement.*

**The Convener:** We therefore want to examine those publications in greater detail.

Fourthly, we have had a letter from the European and External Relations Committee on the European Union budget review, the background to which is set out in the paper. Does the committee agree that, initially at least, we wish to be kept informed about the progress of the European and External Relations Committee's scrutiny of the Scottish Government's position on the review? Would it be acceptable to be kept in touch by that committee?

*Members indicated agreement.*

**The Convener:** Finally, our schedule has some time available in the first half of next year. The work programme paper suggests that an inquiry might be designed that could link the various issues that we have been considering in relation to the future of public services. Do members want to

take that forward? If so, we can consider drawing up a detailed paper at a subsequent meeting. Are there any comments?

**Derek Brownlee:** It is reasonable to link the three strands together. In the past, we have done quite a lot of work on scrutiny and regulation, so there is no need to repeat too much of that but, equally, it would be a shame to see it just go. The two other strands might involve more detailed work, but the broad concept is quite reasonable and could be quite valuable to the committee's broader remit.

**The Convener:** Are there any other comments?

**Tom McCabe (Hamilton South) (Lab):** I agree with Derek Brownlee that it would be useful to consider the broad concept. Undoubtedly, the future of Scotland's public services is a big and increasingly important issue, so it is right that the Finance Committee should take an interest. However, the subject is pretty wide and could take us in many different directions. The broad concept is right, but I think that we might need to spend a bit more time considering the specific areas that we should examine. Otherwise, this could be the inquiry to end all inquiries.

**The Convener:** We would be in permanent session.

Those comments are well made. With that in mind, the clerks will come back to us with a detailed paper in a future meeting. Is that agreed?

*Members indicated agreement.*

**The Convener:** We now move into private session, as agreed at the start of the meeting, to consider our candidates for the post of adviser for our capital investment inquiry.

14:14

*Meeting continued in private until 14:37.*





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