

FINANCE COMMITTEE

Tuesday 7 October 2008

Session 3

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FINANCE COMMITTEE

23rd Meeting 2008, Session 3

CONVENER

*Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Jackie Baillie (Dumbarton) (Lab)

COMMITTEE MEMBERS

*Derek Brownlee (South of Scotland) (Con)

*Joe FitzPatrick (Dundee West) (SNP)

*James Kelly (Glasgow Rutherglen) (Lab)

*Alex Neil (Central Scotland) (SNP)

*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Roseanna Cunningham (Perth) (SNP)

Murdo Fraser (Mid Scotland and Fife) (Con)

Lewis Macdonald (Aberdeen Central) (Lab)

Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

David Cullum (Scottish Parliament Directorate of Clerking and Reporting)

Carole Forrest (Glasgow City Council)

Alasdair Morgan (South of Scotland) (SNP)

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

Kate Vincent (Scottish Government Equalities, Social Inclusion and Sport Directorate)

Julie Wilson (Scottish Government Corporate Analytical Services Directorate)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Allan Campbell

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 7 October 2008

[THE CONVENER *opened the meeting at 14:01*]

Interests

The Convener (Andrew Welsh): Good afternoon and welcome to the 23rd meeting in 2008 of the Finance Committee in the third session of the Scottish Parliament. I ask committee members and members of the public to turn off their mobile phones and pagers.

Following the reshuffle of committee members, Elaine Murray and Tom McCabe have left the committee. Elaine Murray has departed for the Rural Affairs and Environment Committee and Tom McCabe has gone to the Subordinate Legislation Committee. Tom is still a member of the Scottish Parliamentary Corporate Body, so we will no doubt see him again in due course. I thank both Elaine, who was our deputy convener, and Tom for all their expertise and hard work and for the assistance that they have given to the Finance Committee. I wish them both well on their new committees.

Jackie Baillie and David Whitton are replacing Elaine and Tom. I welcome both of you to the committee and ask you to declare any interests that are relevant to the committee's remit.

Jackie Baillie (Dumbarton) (Lab): I do not think that I have any relevant interests, but I refer members to my entry in the register of members' interests, which is on the Parliament's website.

David Whitton (Strathkelvin and Bearsden) (Lab): Likewise, I do not think that I have any relevant interests and refer members to my entry in the register of members' interests, which is on the Parliament's website.

Deputy Convener

14:02

The Convener: As Elaine Murray has left the committee, we must choose a new deputy convener. The Parliament has agreed that only members of the Labour Party are eligible to be deputy convener of the committee. I invite nominations for the position of deputy convener.

James Kelly (Glasgow Rutherglen) (Lab): I nominate Jackie Baillie.

David Whitton: I second that nomination.

The Convener: There are no other nominations.

Jackie Baillie was chosen as deputy convener.

The Convener: Congratulations and welcome.

Jackie Baillie: Thank you.

Budget Process 2009-10

14:03

The Convener: For our next item, I welcome John Swinney, the Cabinet Secretary for Finance and Sustainable Growth.

We agreed to have two evidence sessions with the cabinet secretary as part of our budget scrutiny. Today's session is designed to be what could be termed a backwards look, as we shall focus on outturn expenditure contained in the Scottish Government accounts and on the Scotland performs website, which has been set up to measure Government performance—obviously, it looks at past performance. This session will give us a baseline for the one in Ayr on 10 November, when we shall focus on the future spending plans contained in the draft budget.

With the cabinet secretary are Alyson Stafford, director of finance in the Scottish Government, and Julie Wilson, senior statistician in the Scottish Government. You are all welcome.

I invite the cabinet secretary to make a short opening statement.

The Cabinet Secretary for Finance and Sustainable Growth (John Swinney): It is a pleasure once again to be with the committee today. As the convener said, we are here to look at the outturn financial performance for 2007-08 and at information that is provided on the Scotland performs website, in the context of the budget process for 2009-10.

The consolidated accounts for 2007-08 were laid before the Scottish Parliament and published on the Government's website on 30 September 2008. Those accounts are a key formal means of accountability and reporting to the Scottish Parliament on the use of financial resources. They are produced and audited in accordance with the Public Finance and Accountability (Scotland) Act 2000. This year, the accounts have been prepared and audited a month earlier than has been the custom, and I pay tribute to the staff for the significant amount of work that they have done.

The accounts record the departmental expenditure limit underspend of £42 million that I confirmed to Parliament earlier this year, and I am pleased to say that, for the third year in succession, the Auditor General for Scotland's audit opinion of them is unqualified. The underspend represents 0.2 per cent of our DEL budget, which is the total expenditure that is managed and controlled by the Scottish Government. That is a major achievement in a budget of such scale and complexity.

The budget that is approved by the Scottish Parliament includes other elements, which are

outside Scottish Government control. The total outturn has been brought in very close to target with an underspend of £275 million, which is under 1 per cent. All portfolios operated within their budget for the year.

The accounts show that, in the past financial year, £27.9 billion was spent across the public sector, which represents an increase of almost £2.2 billion or 8.7 per cent over the spend in 2006-07. It is a measure of how much tighter spending has become following the spending review 2007 that this year's comparable budget of £28.4 billion is only 0.9 per cent up on that of 2007-08.

With regard to the reporting of performance, the Government's national performance framework is based on our purpose of focusing the efforts of Government and public services on creating a more successful country, with opportunities for all to flourish, through increasing sustainable economic growth. We have provided clarity through a set of purpose targets and agreed national outcomes that describe a 10-year vision of the kind of Scotland that we want to create. Moreover, we have set out 45 representative national indicators and targets that will very clearly demonstrate our progress in certain key aspects of Scottish life. This new approach to government in Scotland is about the strategic alignment of public services behind the Government's priorities.

The Scotland performs website, which is a crucial aspect of that new approach, provides an open and transparent means for people to see results for themselves and find out exactly what is happening in their public services. Not only does it chart fundamental measurements of national performance and provide the most up-to-date account of how our country is performing and how the Scottish Government is contributing to that process, it covers indicators of performance on matters that are wider than those subject to Government intervention. The website was launched four months ago, and we will continue to examine its applicability, listen to feedback about the information that it contains and aim to improve it to guarantee transparency across the various indicators.

Convener, I very much welcomed the warm remarks that you made on the launch of Scotland performs. We hope that it will prove useful for scrutinising Government and for anyone who wishes to see the progress that is being made in Scotland.

The Convener: Before I invite questions from members, I suggest that we might find it helpful if we ask first about the consolidated accounts and then about Scotland performs.

Derek Brownlee (South of Scotland) (Con):

On page 23 of the accounts, the notes to "Post-Balance Sheet events" say:

"The Scottish Futures Trust ... is a company limited by shares outside the Scottish Government Consolidation Boundary."

What was the thinking behind using that particular structure?

John Swinney: The Scottish Futures Trust has been established as a company limited by shares with the clear objective of acting as a focus for a range of capital investment initiatives that the Government will undertake. Essentially, the structure ensures that it is an arm's-length body with sufficient flexibility to meet the Government's expectations as set out in our business case.

Derek Brownlee: Why is the Futures Trust outwith the consolidation boundary? I am perhaps missing something fundamental about its structure. Is that a direct consequence of how it was established, or could it have been set up within the consolidation boundary?

John Swinney: I imagine that the Futures Trust could have been set up within the consolidation boundary, but it has been set up outside to provide it with arm's-length status.

Derek Brownlee: Let me move on to some of the variances that are explained in the detail of the consolidated accounts. On page 45, on education and lifelong learning, it is stated that there has been an

"Underspend in the Schools programme ... mainly due to smaller than anticipated PPP claims from Local Authorities."

That is rather surprising given that we are always told that there is such demand for capital spending, particularly in the education sector. What underlying pressures led to the underspend? Why did it happen?

John Swinney: It happened simply because of the timetabling of projects. Projects for which the Scottish Government has contracted a responsibility to pay claims will have come on to the budget. However, as Mr Brownlee will know, sometimes capital projects do not operate to the envisaged timescale, and they consequently take longer than expected to emerge, despite the fact that commitments to repayment patterns have been given.

Derek Brownlee: So it is a slippage rather than an absolute reduction.

John Swinney: Yes.

Derek Brownlee: I have one final question on page 45, which states:

"Graduate Endowment income was also higher than budgeted."

Were the figures significantly different from what we were given when we considered the financial memorandum to the Graduate Endowment Abolition (Scotland) Bill?

John Swinney: I would not have thought so from the numbers in the accounts, but I will be happy to provide the specific figures to the committee in writing to confirm the point.

James Kelly: I have a couple of questions on the Scottish Government's payment policy. The Government's objective is to pay 100 per cent of invoices on time, which is obviously admirable, particularly when many businesses are under pressure as a result of the credit crunch. According to the consolidated accounts, 95.4 per cent of invoices were paid in time in 2006-07, but the figure reduced to 93.6 per cent in 2007-08, which is more than 6 per cent below the target. What is the explanation for that?

John Swinney: First, I share Mr Kelly's view that it is desirable to pay 100 per cent of invoices on time, and I regret that there has been a minor deterioration in the performance from 2006-07 to 2007-08. The issue is the volume of transactions dealt with; there has been some slippage in pursuing them in the appropriate time. That is why we have not performed as well as expected.

About 98 per cent of the Scottish Government's budget flows from the Government in the form of grant payments and allocations to other bodies, so the amount that is paid against invoice is essentially 2 per cent of gross expenditure. That totals about £650 million. If my calculations are correct, the slippage between the two figures amounts to about £10 million or £11 million of expenditure. That puts the issue into some perspective.

James Kelly: You said that the volume of transactions was the main reason for the deterioration in performance. What were the volumes in 2006-07 and 2007-08?

14:15

John Swinney: I do not have the information in front of me, but I will be happy to provide it to the committee, to give further context.

James Kelly: On motorways and trunk roads, I see that non-cash roads depreciation was £41 million less than was expected at the time of the spring budget revision. Why was that?

John Swinney: Non-cash roads depreciation is a fascinating area of analysis, I assure you. In essence, it is the assessment of the condition of the road network, which is undertaken after the close of each financial year. During the financial year, we are required to estimate the likely condition of the road network at the end of the

year. Year on year, a comparison is made to identify the depreciation factor, for which we must budget in a non-cash environment—in essence, that is an accounting transaction. There is an assessment of the relative depreciation of the motorway and trunk road network from one year to the next.

In the context of the underspend, Mr Kelly will know from the budget documents that a range of factors comes into play, including a core assumption about depreciation, the impact of structural repairs and improvement, the impact of routine and winter maintenance, and the private finance initiative roads payments that we must make. All those factors, some of which vary significantly, are netted off at the non-cash roads depreciation figure. I hope that my explanation was helpful.

James Kelly: It was helpful. If, by the year end, there is less depreciation than was anticipated at the time of the spring revision, does that mean that there has been less expenditure on motorways and trunk roads than was expected?

John Swinney: Less depreciation at the end of the financial year compared with what was anticipated in the spring budget revision suggests to me that we have done more work, because the roads have not deteriorated as much as we expected them to.

James Kelly: Is the figure based on your evaluation of the road network, as opposed to expenditure on the road network?

John Swinney: Yes. There is an evaluation of the road network at the end of each financial year. We can compare that evaluation from one financial year end to another. We make assumptions about that and the assumption in the spring budget revision was driven by about nine months-worth of financial information. By the time we completed the consolidated accounts, we were able to record that the road system had not deteriorated as much as we expected it to do, perhaps as a result of our interventions or because the weather had had less impact than we thought that it would have. A detailed model is developed year on year, which is informed by feedback from roads engineers around the country, who assess the motorway and trunk road network and provide us with the information base.

The Convener: I thank the minister for guiding us so clearly and succinctly down those rather esoteric budgetary pathways.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I have a feeling that I am going to go back over those pathways. Cabinet secretary, you talked today and in June about the £42 million DEL underspend. Will you point to me where in the accounts that is highlighted? I may be

looking at the wrong page, but I have difficulty correlating that figure with the details for the DEL underspends on pages 45 and 46 in the accounts.

John Swinney: I am afraid that we are about to go into esoteric territory again. The £42 million underspend is a comparative figure that relates to the Scottish Government's control over the departmental expenditure limit. That has been the basis on which the underspend has been reported to Parliament on every occasion that an underspend has been reported to Parliament since devolution. When the underspend is shown in the accounts, various other adjustments are made to take into account factors that are within the departmental expenditure limit but outwith the Government's control and which must be factored into the calculation. The consolidated accounts report an underspend of £103 million, which is split between £96 million in resource and £7 million in capital. However, the end-year flexibility announcement is made on a comparative basis. In essence, it is the amount of money that we hold on account at the Treasury, free for us to spend in a future year, subject to Treasury agreement. That is the comparative figure that I announced in June.

Jeremy Purvis: I understand that. However, the statement that the Scottish Government made in June was that the figure of £42 million was good news for Scotland and a positive development, as it is less than 0.2 per cent of the DEL budget and the lowest-ever figure recorded by the Scottish Government. However, that £42 million cannot be reconciled with the accounts—it is simply not there. The broad equivalent—the total variance within departmental expenditure limit—is £96 million. The Government is stating that elements within that total are outwith its control, so it will not publicise that figure. However, it is a Government underspend, and I do not think that that is a fair representation of accounts, regardless of what the practice has been. I am sure that the Scottish Parliament information centre will inform us of what the practice has been in previous years when the Government has announced underspends in press releases in June several months before the accounts are published.

John Swinney: I have two points on that. One is that, as I said, the basis on which the announcement was made in June was directly comparable to the way in which it was done on every previous occasion on which the Scottish Government or Scottish Executive recorded such an underspend. Secondly, on the point about a true and fair account, I simply point Mr Purvis to the fact that the Auditor General, in his assessment of the accounts, has provided an unqualified opinion of them.

Jeremy Purvis: The press release in June stated:

"Making a statement to Parliament, the Cabinet Secretary for Finance and Sustainable Growth John Swinney reported that just £42 million of the planned budget of £27.4 billion was not spent."

It does not state that there was an underspend in other parts of the budget. The footnotes helpfully go on to mention the publication of

"the Scottish Government Consolidated Accounts later in the year",

which are

"expected to show an underspend of approximately £216m subject to audit."

Was the figure of £42 million a fair representation of the underspend in the planned budget of £27.4 billion? The footnote to the press release stated that the overall anticipated underspend was £216 million, but in fact it is £275 million. Will you explain the discrepancy between those two figures?

John Swinney: I certainly will. First, on the £42 million, I simply return to the point that I have made previously, which is that the directly comparable figure and the one that I would have thought members would think was the appropriate one to use in looking at one underspend versus another is the figure that I reported to Parliament in June. That is directly comparable to how the information has been recorded in the past. The consolidated accounts record a variety of other factors that must be taken into account.

On the second point on the consolidated accounts, we announced in the statement in June that the provisional outturn on the control of budgets recorded at a parliamentary level showed an underspend of £216 million. The parliamentary level numbers are separate from the departmental expenditure level numbers. In the consolidated accounts, therefore, the figure is shown as £275 million, which is accounted for by three principal elements. First, there was a change to the assumption by HM Revenue and Customs on national insurance contributions to the national health service, which led to an underspend of £72 million. Secondly, greater receipts were delivered in the field of justice, amounting to £10 million; and, thirdly, there were £3 million of other, minor adjustments. That is where the difference in the two figures comes from. Obviously, we said in the statement in June that the figures were provisional and that they would be refined when executing the delivery of the consolidated accounts later in the year, which is what we have just done.

Jeremy Purvis: My final point follows on from the cabinet secretary's statement to Parliament in June and the highlighting of the anticipated overall underspend of £216 million. The press release that accompanied the statement said:

"This is a reduction on the underspends detailed in the

accounts for the previous two years which were £256m and £296m respectively."

However, just to be accurate, I note that the underspend this year is greater than that of last year but less than that of the year before. Is that correct?

John Swinney: But the significant variability in those numbers is because of an issue that is entirely outwith the control of the Scottish Government.

Jeremy Purvis: But, equally, there could have been relevant elements in the figure that you highlighted of £256 million in the previous year. In fact, the Government boasted that there was less underspend by this Administration than by previous Administrations. However, the £256 million and the £275 million are directly comparable, as you highlighted in your press release in June.

John Swinney: Which is why Government comparisons are made on the departmental expenditure limit basis, which is the basis of the headline underspend figure that I reported and which all my predecessors have reported to Parliament since devolution.

The Convener: Mr FitzPatrick wishes to comment.

John Swinney: Sorry, convener, but I just want to finish my point.

That figure is used purely and simply because it gives the fairest representation and most direct comparison of issues that are under the control of ministers.

Joe FitzPatrick (Dundee West) (SNP): At the start of his contribution, Mr Purvis said that he wondered whether he was looking at the wrong paragraph. I direct the committee to paragraph 67 of the consolidated accounts, which states:

"The provisional outturn announcement made by the Cabinet Secretary for Finance and Sustainable Growth in June 2008 reports the position in terms of total DEL expenditure within the Scottish Budget. This includes a number of items not included in these accounts and it is not strictly comparable."

I think that Mr Purvis was looking at the wrong part of the accounts.

Jeremy Purvis: Therefore, it is not strictly comparable, although the cabinet secretary stated that it was. I thank Mr FitzPatrick for highlighting that.

The Convener: I think we are entering a dialogue here. I will let Jackie Baillie in now as she has been very patient.

Jackie Baillie: Which is most unlike me, convener, but there you go—I am perhaps learning new habits.

Page 51 of the consolidated accounts contains a table of resources by objective, which I find fascinating, not least because we are spending less, in percentage terms, on making Scotland smarter than we are spending on anything else. However, perhaps we are exceptionally intelligent already, cabinet secretary.

You acknowledge in the accounts that

“there is no established methodology available to strictly apportion income against the five strategic objectives”.

Can you elaborate on how spending has been allocated to those objectives? How real is the increase on greener spending? Is that simply a reshaping of existing budget descriptions? Is there likely to be a methodology that will throw some light on the table on page 51?

14:30

John Swinney: I have a sense of déjà vu, as I sat in this very committee room this morning, explaining to the Equal Opportunities Committee the difficulties of presenting a budget that is sliced up in a way that people believe is relevant, readable and comprehensible. I illustrated the point this morning by saying that although the Equal Opportunities Committee might want the budget to be cut up in a way that showed the equalities spend, one could have that argument about the spend on deprivation, economic growth or whatever. The area that Jackie Baillie asks about is similarly fraught—it is difficult to understand exactly how expenditure can be classified to fit appropriately and neatly into all five categories.

However, this is our best approach to allocating the expenditure as effectively as possible. It will be the subject of refinement and continual development because, as I am sure Jackie Baillie understands, the spending of an amount of money in one particular area might not fit neatly into one particular category for the purposes of analysis.

I stand to be corrected by the director of finance if I am wrong but, on the point about the significant difference in relation to the greener objective, I am sure that the figure is significantly affected by a pensions payment, which is part of the contribution to the agricultural and biological staff pension scheme of approximately £500 million. That is made pretty clear in the outturn figure for 2007-08, which is shown in table 4 of the annex tables in the 2009-10 budget. There is an uplift of £430 million. There is no other way to categorise that item, although it illustrates the difficulty with the analysis.

Jackie Baillie: I was beginning to get quite excited that we are more than doubling our spending on green issues and climate change,

and then I discover that the spending is actually on pensions—there you go.

I want to press you a bit. I appreciate that there are difficulties with categorisation, but such information is critically important to the Government, never mind the Parliament, in focusing the Government's priorities and strategic objectives. Will you be able to provide information this year about how the budget impacts on equalities, on social justice and deprivation, and, as you suggested yourself, on economic growth? You suggested some admirable headings and I look forward to seeing them in this year's budget.

John Swinney: I am not sure whether that was a question, although it was certainly an invitation.

I accept Jackie Baillie's point and I am keen to ensure that we have a better and more thorough understanding of some of these questions.

To use a vivid example of the difficulty with the classifications, some aspects of the health expenditure that is being spent at Edinburgh royal infirmary right now are contributing to the Edinburgh bioquarter project, which is, as I am sure members know, a very exciting development involving a national health service health board, an enterprise company and the University of Edinburgh. I suppose that we could debate until the cows come home whether its focus is on clinical development or economic growth—or both. The question how we would categorise that project in the document illustrates the challenge that we face.

I assure Jackie Baillie that there is no lack of will on the part of the Government to ensure that the type of illustration on page 51 of the accounts is developed a bit further during the budget process. I would be happy to talk to the committee about that in more detail.

David Whitton: I hate to drag the cabinet secretary back to his £42 million underspend, but he and I were both around in the first session of Parliament—although in different roles—when the Opposition created a hoo-hah about an underspend of somewhat less than £42 million by the then Administration. For the record, where is the underspend? Which departments are not spending the money that has been allocated to them?

John Swinney: I stand to be corrected, but I would be staggered if the first Administration in a devolved Scotland delivered an underspend of less than £42 million. I am sure that Mr Whitton will correct me if I am wrong about that.

On the underspends, information on individual portfolios is shown at a variety of levels in the accounts. The crucial piece of information that we have at our disposal is that those resources, which

are for the Government to use at some stage in the future through the end-year flexibility mechanism, amount to £42 million for the past financial year.

David Whitton: My vague recollection is that it was a departmental underspend that caused the uproar in the first session.

John Swinney: Mr Whitton has now set me a challenge of looking through the endless number of old papers that I have in my house, which I shall spend the evening doing.

David Whitton: I will save you the bother: the underspend was in the Health Department. I think that Miss Wilson probably knew that, but she was not letting on.

Alex Neil (Central Scotland) (SNP): Does the fossil fuel levy appear anywhere in the consolidated accounts? We have not taken it up from Westminster, but, technically speaking, it is money that is available to the Scottish Government.

John Swinney: It is money that, in essence, has our name on it—if I can put it that simply—but it will not form part of the consolidated accounts, because it has not been transferred into the Scottish consolidated fund. It cannot be transferred into the fund at this stage, because the Treasury has made it clear to us that if we make a claim on that resource, which is held by the Office of Gas and Electricity Markets and which totals about £120 million, we would have it netted off our expenditure. If we were able to use the £120 million of Ofgem money, which has to be deployed for expenditure on renewables projects and initiatives, it would be deducted from the controlled totals provided by the Treasury. At this stage, we cannot gain access to it as a fresh resource, although the Government continues to make representations in that respect.

Alex Neil: How much higher do you estimate that the income of the Scottish Government would have been last year had we had all the Barnett consequentials to which the Scottish Government thinks we should have been entitled? What order of magnitude are we talking about?

John Swinney: It is slightly difficult to explain that figure for one financial year. For example, we considered that we were entitled to receive Barnett consequentials in respect of the regeneration element of the London Olympics—that view is shared by the Administrations in Wales and Northern Ireland.

Alex Neil: And, I think, by the candidates in the Labour leadership contest.

John Swinney: I did not follow that contest with enough interest.

The sum of money from the Olympics consequential would be in the order of £110 million or £120 million. The Carter review of prisons resulted in a payment of about £1.2 billion from the contingency fund to the UK Ministry of Justice, the Barnett consequential for which would be about £120 million. Into the bargain, we would have expected the council tax benefit adjustment, which has been suspended, to be in the order of £100 million. The total is in the order of £300 million, although not all of that would fall within one financial year.

Alex Neil: So, in fact, if we add the fossil fuel levy and assume that we were allowed to spend it outwith the departmental limit, plus the Barnett consequentials, we would have been better off to the tune of just over £400 million.

John Swinney: Yes, it would be of that order.

The Convener: Before we stray off the strait and narrow, I would like to move on. We have given that matter a fair run, so we will move on to questions on the Scotland performs framework.

Jackie Baillie: I note the cabinet secretary's interest in the Labour Party leadership contest. I also note that the Secretary of State for Scotland has made some rather positive comments that might merit a phone conversation between them.

The Convener: That subject is closed.

Jackie Baillie: The Government has five strategic objectives, which are welcome. Does it have any cross-cutting governance arrangements? I recall there being Cabinet sub-committees that took a strategic objective and drove it through, so I am interested to find out whether such committees have been established as part of the process of government.

John Swinney: Perhaps, off the pitch, Jackie Baillie might like to point out to me the helpful remarks that were made by the Secretary of State for Scotland. Such remarks are always welcome; I always try to be as charitable as I can to the secretary of state.

The best way to understand the management of the strategic objectives is to look at it as a combination of two things. In structuring the Government, the First Minister took a deliberate decision to reduce the size of the Cabinet team and to focus the Government on the achievement of its overall purpose and strategic objectives. The Cabinet provides the leadership for delivering on those strategic objectives but not in a fashion that means, as one might expect, that the Deputy First Minister is responsible for the healthier Scotland objective or that the Cabinet Secretary for Education and Lifelong Learning is responsible for the smarter Scotland objective; the objectives are owned by all the Cabinet in recognition of the fact that we must work across boundaries.

I come back to the project that I mentioned at the Edinburgh royal infirmary, which is an excellent example of the health service, the education sector and our economic agencies working together. That takes a bit of drawing together within the Cabinet.

Around the Cabinet table, there is clear political leadership for delivery on the strategic objectives. However, elements of process are put in place to ensure that the issues are advanced. Programme boards have been established to take forward each of the objectives. Those boards have a particular responsibility to draw together relevant individuals from different parts of the organisation with relevant interests. They are led by civil servants, but ministers are engaged in the process through the political leadership that the Cabinet offers on the objectives.

Jackie Baillie: I will pursue the process point a little further. I understand the distinction that you make between the Cabinet and the programme boards. Will you outline the process by which the indicators that underpin the five strategic objectives are chosen? Do they emerge from the programme boards and are they open to revision, or do they flow from the Cabinet? The strategic objectives are clearly about political direction.

14:45

John Swinney: The strategic objectives are indeed about political and policy direction. The national indicators and targets were agreed by the Cabinet as the right indicators to be following—that was the level of political agreement about the indicators. They were based on advice from the different elements of Government—professional advice from across the organisation—as to what the appropriate indicators should be. Ultimately, they were signed off as the appropriate indicators by ministers. A judgment was made about the most appropriate indicators for judging performance in achieving the national outcomes and the Government's purpose. The indicators represent a judgment that has been informed by professional advice from Government officials.

James Kelly: During a previous appearance before the committee, the cabinet secretary told us at length that he considers the Scotland performs website to be crucial to the national performance framework and to achieving the objectives that we have just been discussing. I would like to get more of an idea of how Scotland performs provides information in that context.

The committee has recently considered capital infrastructure issues in detail, and I have heard the cabinet secretary speak at length in the chamber about capital infrastructure plans. A recent Audit Scotland report highlighted the fact that two fifths

of projects did not meet initial cost estimates, and a third of them did not meet initial timescales. That is detrimental to one of the Government's key policy objectives, which is to ensure that by 2011 Scotland's economy grows more than the UK economy. If the Government falls down on capital infrastructure, its objective of achieving that economic growth will be undermined. How would Scotland performs flag up such capital infrastructure issues?

John Swinney: I point out to Mr Kelly that in its report, Audit Scotland took a retrospective look at the previous Administration's performance. If Audit Scotland decided to undertake an assessment of the current Administration's performance, that would be its decision, and it would develop an approach accordingly.

On the wider questions about performance and capital infrastructure, the Government produces its budget for Parliament annually, and we have already discussed the outturn position for 2007-08. It is clear that ministers can be scrutinised on performance in that respect.

Scotland performs helps us to make a judgment about how to focus our priorities in order to deliver on expectations. For example, one of the national outcomes is:

"We live in a Scotland that is the most attractive place for doing business in Europe".

An implicit part of that is the requirement for good infrastructure. Therefore, the approach helps to inform the Government about its choice of priorities. Its performance can be assessed in the user-friendly fashion that is employed by the Scotland performs website and all the supporting elements. Ministers may be subject to parliamentary scrutiny in a variety of other areas as part of the process.

James Kelly: You produce a capital infrastructure report, and you report to Parliament on the budget. Are those areas the main areas of scrutiny and accountability? Does Scotland performs come beneath them, effectively?

John Swinney: I do not think that the Scotland performs approach is beneath or above other approaches; it is just a different medium through which we try to provide an easily accessible and transparent structure that shows how the Government exercises its responsibilities. As I explained to Jackie Baillie, our approach is quite different from the previous Administration's approach. We also have a performance framework, which assesses our approach, and there is parliamentary and wider scrutiny of the Government's performance, for example through Audit Scotland reports or parliamentary inquiries. Whatever the process, the Government will happily contribute to it.

Jeremy Purvis: Has Audit Scotland been involved in discussing independent assessment, particularly of the information on the page on the Scotland performs website that is entitled “Performance at a Glance”?

John Swinney: Audit Scotland was consulted about the formulation of the Scotland performs process. Plans for the creation and development of Scotland performs were fully discussed with Audit Scotland.

Jeremy Purvis: I know that, but that is not what I asked. I asked whether there have been discussions about whether Audit Scotland will independently audit the information that is published on the “Performance at a Glance” page and other pages on the Scotland performs website.

John Swinney: There have been no discussions about that.

Jeremy Purvis: Why not?

John Swinney: For the simple reason that we must be careful not to confuse Audit Scotland’s responsibilities in relation to independent audit and accounting services for Government organisations—and the responsibilities of the Accounts Commission in relation to other organisations—and some of the implications for policy of assessment of our work.

The Government has published all the technical notes behind the indicators that we use to judge performance, which were established by the statisticians and analysts who work in the Government. There are clear rules about how those individuals operate and what degree of engagement there can be between statisticians and ministers in relation to the independent exercise of statisticians’ duty properly to record the detail of statistical sets.

Jeremy Purvis: It is clear from answers to parliamentary questions that were asked in June and July that internal analysts in the Scottish Government are involved. I am certain that the core information should be published, but the question is how it is presented, in particular on the Scotland performs website, which most of our constituents use to gauge whether performance is improving, being maintained or worsening, as the Government intends people to do.

Has an independent or external body provided or been asked to provide advice to the Scottish Government about how the information on Scotland performs is presented to the public? If such advice was given, what was it?

John Swinney: Your question assumes that it is somehow impossible for the independent statisticians who work for the Government, who have a duty to pursue—every day—the production

of statistical sets of information on a massive number of factors, to present the information on Scotland performs objectively. That is what they do every day for every statistical set.

Scotland performs uses existing data for—let me get the number in front of me—42 different categories. Those data are already collected and published under statistical codes by Government statisticians without the involvement of ministers. Scotland performs simply takes those data sets and shows them on the website. Some 13 data sets are being developed to capture information that is not currently shown on the website.

The only bit in that process that ministers have chosen is which indicators will be shown. I have already accepted, in response to Jackie Baillie’s question, that the choice of indicators is a matter of judgment, but the indicators that are selected must then be monitored.

Jeremy Purvis: Finally, I want to ask about the read-across into other areas. The Government has published part of the performance framework for its relationship with local government, and it has cited the concordat and the single outcome agreements with local authorities. However, a SPICe briefing for the Local Government and Communities Committee points out that the single outcome agreements include 3,599 targets, outcomes and indicators. Do those have a relationship with Scotland performs? Will the Scotland performs website show whether those 3,599 targets are being met?

John Swinney: I am absolutely certain that there will be a relationship between some of those and the contents of Scotland performs. Without a shadow of doubt, that will apply to a substantial number of them.

Jeremy Purvis: Where will that be outlined? Where will the read-across to Scotland performs appear?

John Swinney: The technical notes that underpin the national outcomes, targets and indicators contain all of the information about the statistical basis that underpins Scotland performs.

Jeremy Purvis: What about the single outcome agreements?

John Swinney: The technical notes that were published last November contain all of the detail on where the data sets come from. Establishing a read-across between any single outcome agreement and those technical notes would be quite a simple exercise. All of that information is in the public domain.

Jackie Baillie: Further to Jeremy Purvis’s questions, I point out that we are not criticising the statisticians. However, we need to recognise that—quite legitimately—there will be time gaps

and time lags in the data sets, because things are not measured at the same time, so Scotland performs might present an incomplete picture, which I am sure is not what the Government wants. Is work in hand to deal with some of those statistical gaps to ensure that the website presents a much better picture?

John Swinney: Let me make two remarks in response. For 13 national indicators, the data sets that the Government thinks would be appropriate are not yet available, so we cannot show comparative performance. Those data sets will emerge as quickly as possible. My recollection is that we expect almost all of them to be in place by 2009.

Julie Wilson (Scottish Government Corporate Analytical Services Directorate): The technical notes for the spending review set out the details for information development where there are gaps. Obviously, the timings for those relate to the particular data sets. Some gaps are due to improved performance measures, such as the improvements in Her Majesty's Inspectorate of Education assessments. Other gaps are due to the move to an outcomes focus. Obviously, it takes a while to develop those data, because data on outcomes are not as readily available as one might like. However, all of the timing details are set out in the technical notes for the spending review.

15:00

John Swinney: The second point that I want to make is that the Government obviously desires to ensure that we have the best and most readily available statistical information. The statisticians work to ensure that it is published as timeously as possible. Some data we get quarterly, but for some we have to wait until 18 months after the year end. Narrowing those gaps would give us the most accurate picture possible.

Jackie Baillie: When will all the data sets match up, so that they give a true picture at any given point?

John Swinney: We will never reach a point at which all the data for 31 July, for example, of whatever year one happens to choose fall into place on that date. For example, we get gross domestic product data on a quarterly basis about three months after the event—I stand to be corrected on that—but we wait 15 months for some other data. We will never get to the ideal point of having all the data for 31 July in a given year on that date. However, we will do our best, as far as possible, to narrow the gap.

The Convener: It is important that the data are as up to date as possible. It is important to understand what Scotland performs can and

cannot do. In other words, we cannot—and it is important that we do not—ask it for something that it was not designed to do.

I am concerned about the Audit Scotland statement on capital costs and capital projects that was mentioned earlier. Audit Scotland said that there should be greater scrutiny, especially at the start, to avoid overruns—it was talking about cost and the other implications of failing to estimate properly. Scotland performs is doing something different.

John Swinney: The convener's points about the existing function of Scotland performs, and Audit Scotland's suggestions about the need for better project scrutiny and planning, are essential requirements. There is no way that Audit Scotland's point about capital infrastructure projects can be adequately or appropriately handled within Scotland performs, and I would not suggest that it should be, but the work that Audit Scotland says has to happen needs to happen.

James Kelly: In this and previous parliamentary sessions, the Finance Committee has focused on the linking of budget inputs to outputs, which is a difficult and complex area. How will Scotland performs serve the objective of linking budget input expenditure to outputs?

John Swinney: Essentially, it is configured to help us to do that difficult job. We have a range of national outcomes, which were set out during the spending review in 2007; we are, in structuring our approach to public expenditure as we have done, focusing Government on delivering our purpose and those outcomes; and we are taking decisions that ensure that our spending is designed to support the achievement of the outcomes.

Scotland performs will allow us to show the extent to which we are making progress in delivering on those outcomes. On the web page for one of the individual national outcomes, there will be a link to the relevant indicators that show whether, for example, we are realising our full economic potential with more and better employment opportunities for our people. A number of indicators will demonstrate what the Government thinks should be achieved to deliver that outcome. The relationship between spending, the achievement of indicators and the delivery of outcomes will be more direct than it has been, and it will allow those who scrutinise the Government to see whether our spending choices are appropriate.

The Convener: We have had a long session with the cabinet secretary, which is appreciated. The last question is from David Whitton.

David Whitton: It is brief. The cabinet secretary mentioned the spending review. Does he believe that, in the current situation, major realignments in

relation to the spending review will be necessary next year to improve Scotland's performance?

John Swinney: The Government must consider that carefully. The committee will have observed what we announced on, for example, reshaping capital expenditure in light of the current economic circumstances. In a sense, that is an acceptance that our original capital spending programme was not structured to deal with the circumstances that we face. The Government has done the right thing in that we have tried to put more money into affordable housing where there has been a collapse in the private housing development market for all the circumstances with which members are familiar.

The Government will consider the question constantly. We would not be carrying out our duties appropriately if we ignored the wider climate, which today is much more economically challenging than it was when we formulated the spending review last November, and did not see any need to change our plans. We may well need to revisit our plans to ensure that they are properly aligned.

The Convener: Would the cabinet secretary like a final comment?

John Swinney: No thank you, convener.

The Convener: I thank the cabinet secretary, Alyson Stafford and Julie Wilson for their attendance and valuable evidence. We will take a quick break before the next item.

15:07

Meeting suspended.

15:09

On resuming—

Scottish Parliamentary Pensions Bill: Financial Memorandum

The Convener: Item 4 is evidence on the financial memorandum to the Scottish Parliamentary Pensions Bill. We agreed to adopt level 2 scrutiny for the bill, so we have a written submission from the SPCB and we are taking evidence from Alasdair Morgan, who is the member in charge of the bill on behalf of the Scottish Parliamentary Pension Scheme Committee. With Alasdair is David Cullum, head of the non-Executive bills unit. I welcome you both to the committee. I believe Mr Morgan would like to make an initial statement.

Alasdair Morgan (South of Scotland) (SNP): Thank you, convener. It is an unusual experience for me to be at this end of the Finance Committee table. As you said, as convener of the Scottish Parliamentary Pension Scheme Committee, I am the member in charge of the bill. A draft of the bill was annexed to the committee's report, which was approved by Parliament earlier this year.

The background is that the members and office-holders pension scheme is a contributory funded scheme that is governed by a Westminster transitional order that was made in 1999. It was always envisaged that we would prepare our own rules; indeed, the Scotland Act 1998 made provision for that. In addition, since 1999, significant developments have affected pensions, and it is now essential to make certain changes, particularly to ensure continued compliance with the tax regime for registered pension schemes.

We also considered developments such as the status of civil partnerships, pension sharing on divorce, equality issues, minimum pension age changes and maximum age issues. Like other committees, we conducted a consultation exercise and took evidence from interested parties and professionals, including trustees of our sister pension schemes at Westminster and in Cardiff.

Let me turn to the costs and the financial memorandum, which is the subject of your inquiries today. The principal changes that the committee considered were all costed for us by the Government Actuary's Department—for which we are grateful—in advance of our taking decisions on them, and all the costs were based on information derived from the existing membership of the scheme. We considered all the information before taking our decisions.

Thereafter, we gave GAD an advanced version of the bill and asked it to cost the scheme relative

to the existing scheme. GAD's advice was that, overall, the proposed changes to members' and office-holders' pensions by the committee could be made at no additional cost to public funds. Extra costs for certain benefits would be counterbalanced by savings as a result of other changes. As a committee, we maintained a close eye on the cost implications. For example, while members will, under the bill, be given an opportunity to accrue pension rights more quickly, they will have to fund fully the additional cost.

The second aspect of the committee's work was to consider the existing grants scheme in relation to ill-health awards, as well as grants for those members who are not returned after elections, and similar arrangements for office-holders. Again, we considered several possible permutations before settling on the proposals in the bill. It is not possible to quantify the cost implications of the new proposals exactly—election results are among the relevant variables—but as is stated in the table at paragraph 612 of the financial memorandum, the costs are unlikely to fall over the longer period, and may rise, depending on members' length of service.

At this point, let me indicate an unfortunate error in the memorandum at paragraph 594, which indicates that the cost in session 1 would have been lower if the proposals in the bill had been in force. In fact, the new proposals contain the same minimum provision that applied to all those who retired in 2003, so the figure in paragraph 594 should be exactly the same as the figure in paragraph 593, with consequential changes to paragraph 597. I apologise for the error.

Another proposed change is a move away from the SPCB managing the fund to the appointment of fund trustees. That might result in an increase in administrative costs, principally because of the new provision that allows for professional trustees to be remunerated, and also because of other changes to the trustees' remit, for example allowing them to require further medical examinations of those who receive certain benefits. Against that, there may be some savings to the fund if, for example, the results of medical examinations disclose some recovery through the new flexibility that the rules provide in relation to ill-health pensions. Other savings could accrue through an enhanced ability of the trustees to seek tenders for certain services, such as audit and actuarial reports, which is not available at present.

Another potential area of administrative increase relates to legal advice to the trustees. Given that in evidence to us the SPCB acknowledged a potential conflict of interest in carrying out its twin role as both fund manager and the body that provides the employer contributions, it is arguable that the existing arrangement for legal advice would have to alter in any event.

15:15

Costs are difficult to quantify. Members will notice that paragraph 613 of the financial memorandum acknowledges that, by giving a figure that varies by plus or minus 25 per cent. The figure in paragraph 614 for the investment costs that are paid to the scheme's fund managers relates only to new income that is invested. In addition, similar year-on-year charges are levied. The total charge each year is based on the total amount that is invested on our behalf. In the previous financial year, that amount was £115,000.

Finally, changes to the pension benefits for the First Minister and the Presiding Officer are proposed. The existing arrangements are not repeated in the bill. Based on past experience, GAD advises that that will result in a saving to the public purse of about £950,000 every four years. New employer contribution costs relating to membership of the office-holders portion of the scheme and new grant arrangements must be deducted from that figure. We estimate that the net saving to the public purse is in the order of £800,000 every four years.

Changes have to be made to the pension scheme. The bill represents a cost-neutral position and makes required legislative changes.

The Convener: Thank you. I invite questions from members.

Alex Neil: I seek clarification on two points. First, can you confirm that the total contribution of those who opt for the accrual rate of one fortieth of final salary will be 11 per cent of salary and that their contribution will not rise by 11 per cent to 16 per cent?

Alasdair Morgan: The contribution will increase by 5 per cent. The actuary told us that that figure would be required to fund the increase fully.

Alex Neil: Secondly, will the resettlement grant be a maximum of 18 months' worth of salary for someone who has served 12 years or more?

Alasdair Morgan: No—the maximum will be 100 per cent and the minimum will be 50 per cent of salary. The figures are the same as the current minimum and maximum, but they are arrived at in a different way, so not everyone will receive the same amount. The maximum is still 100 per cent.

Alex Neil: Okay.

James Kelly: My question relates to the new rules for early retirement. The financial memorandum states that those rules, when implemented, will produce savings. On what assumptions is that assertion based?

Alasdair Morgan: Currently, early retirement is governed by a fairly complex table. The

percentage abatement of a member's future pension depends on years of service and age. That arrangement could not be allowed to stand, because it was age discriminatory, so we had to come up with a new way of dealing with early retirement. The table also allowed for early retirement down to the age of 50, which will shortly become illegal—the age must be raised to 55.

We decided to move to the fairest way of addressing the issue—actuarial reduction for every year early that a member decides to take their pension. That approach has no cost to the scheme. The actuary advised us that it would save us cash. Under the existing scheme, someone who has 15 years of service and is aged 50 can take their pension with a 61 per cent reduction. Not many people take their pension in that way; most people who retire early do so when the scheme is favourable to them. They buy into the favourable bits of the table and avoid the unfavourable bits. Because the new scheme will be totally actuarially neutral, there will be no way for members to bet against it to win some money. In layman's terms, that is why we think that we will save some cash under the new rules.

Jackie Baillie: I have a question about administration costs. Paragraph 613 of the financial memorandum states that costs may fluctuate by plus or minus 25 per cent from the figure shown. I think that the statement applies to legal costs, but I am not sure whether you have accounted for remuneration of trustees and the cost of medical examinations, which are part and parcel of what we would term administration costs.

Alasdair Morgan: That has been allowed for in the administration costs. However, legal costs are likely to be one of the biggest variables, given that in some years no such costs might be incurred, whereas in others there might be significant costs. In any event, the sums involved might not be very large, so the percentage upwards or downwards might be significant.

David Cullum (Scottish Parliament Directorate of Clerking and Reporting): On the other part of the question, at the moment we do not know what the costs for trustees will be. As trustees can be remunerated only if they have never been a member of the pension scheme, they will be professional people such as lawyers and bankers. We do not know what they will charge but, in any case, the figure will have to be put before Parliament alongside their nomination.

That said, given what happens at Westminster, there might be an offset in our approach. Whenever trustees meet at Westminster, they invite along their bankers, lawyers and investment analysts to provide advice at the going rate. As a result, if they are there for four hours, they charge for four hours. If the board of trustees contains

legal representation, there might not be any need to bring lawyers along to meetings.

We do not really know what the ill-health costs will amount to, although we know that a medical report from a doctor, for example, costs roughly £150 to £200. That said, in the nine going on 10 years that the Parliament has been in operation, there have been only two ill-health retirements from the scheme. The changes to the scheme rules might prove to be beneficial. The scheme's funding might also be affected by the requirement for a medical examination.

Jackie Baillie: So the matter can be accommodated in the percentage fluctuation that is set out in the financial memorandum.

Alasdair Morgan: Indeed.

The Convener: Members have no further questions. Do the witnesses wish to make any final comments?

Alasdair Morgan: Although I hesitate to call a document of the size of the financial memorandum self-explanatory, I think that, in essence, it is.

The Convener: Thank you very much for your attendance and evidence.

15:22

Meeting suspended.

15:23

On resuming—

Decision on Taking Business in Private

The Convener: Our next item is to decide whether to take in private a draft report on the financial memorandum to the Scottish Parliamentary Pensions Bill at our next meeting. Are members agreed?

Members *indicated agreement.*

Proposed Contingent Liability

15:23

The Convener: Item 6 is consideration of a proposed contingent liability in connection with the Commonwealth games 2014. Members have received a note from the clerk and correspondence from the Scottish Government on the issue.

I welcome to the meeting Kate Vincent, deputy director of sport, and Derek Bearhop, head of the Commonwealth games 2014 delivery team, from the Scottish Government equalities, social inclusion and sport directorate; and Carole Forrest from Glasgow City Council. The witnesses will explain the liability and answer members' questions. As members will see from the clerk's note, our agreement with ministers is that any indemnity in excess of £1 million will be referred to the committee for its approval or amendment. After members have asked their questions, I will put the question whether the proposal be approved.

Before all that, Kate Vincent will make an opening statement on the liability.

Kate Vincent (Scottish Government Equalities, Social Inclusion and Sport Directorate): I should first explain that Carole Forrest is executive legal manager with Glasgow City Council and has led the negotiations with the four venue owners on the agreement. The partnership between the council and the Government has been absolutely fundamental in delivering the games.

One of the strengths of Glasgow's bid for the 2014 Commonwealth games was the number of venues already in place for hosting events. As of November 2007, 70 per cent of the games' venues existed, including some of the key sites that will be necessary to the successful delivery of the games. Those sites include Parkhead, which will host the opening ceremony, and Hampden Park, where the main athletics events and the closing ceremony will be held. Without access to those venues, the games simply could not take place in Glasgow.

Understandably, the owners of the venues have been keen to ensure that their financial interests are protected while their properties are being used for the games. As a result, a series of negotiated agreements has been drawn up between Glasgow City Council on behalf of the organising committee and the venue owners. I emphasise that throughout the process Glasgow City Council acted on behalf of and in full consultation with the bid partners.

The agreements will eventually be assigned to the organising committee, Glasgow 2014 Ltd, which leads on the delivery of the games and manages the operating budget. Because the organising committee is a short-life company with no track record, the venue owners sought a more substantive guarantee to secure the obligations that were made. It is proposed that the guarantee will be provided on the same basis as the public element of the games budget, namely 80 per cent by the Scottish Government and 20 per cent by Glasgow City Council. The guarantee equates to that already provided to the Commonwealth Games Federation to underwrite any economic losses of the game's organising committee. That, I should add, was a requirement of the bid.

As I have indicated, these venues are critical to our ability to host the games in Glasgow. The partners who will oversee the games will work very closely together to ensure that the financial and operational risks associated with delivery are managed effectively. We believe that that can be achieved and, on that basis, we recommend that the committee agree that Scottish ministers offer this guarantee.

I am very happy to take questions.

Derek Brownlee: Thank you for the detail that you have provided. I understand your point about the requirement to make a guarantee to the Commonwealth Games Federation. However, do the venue use agreements require that guarantee to be unlimited, or is there anything in them that might allow for a more limited form of guarantee?

Carole Forrest (Glasgow City Council): As Kate Vincent said, I was involved in the negotiations with the venues. Although I sought a cap on the liability, the venue owners—for understandable reasons, perhaps—found that unacceptable. They felt that any loss caused to them must be covered and that they should not have to pick up the cost of a loss for which they were not responsible. Despite fairly lengthy discussions on the issue, the venues could not accept the position that we were suggesting.

Derek Brownlee: I have never had to hire Celtic Park myself, so I am not really aware of the usual procedures that apply. Would similar guarantees be required of anyone who sought to hire these venues for the Commonwealth games or some such event?

Carole Forrest: I think that that is a question for Celtic to answer. However, I cannot think of many events that would take over Celtic Park, Ibrox, Hampden and the Scottish exhibition and conference centre in the same way that the Commonwealth games intend to. Both the football clubs and the owners of Hampden hire out rooms for weddings and conferences, but that is not on

the same scale. They felt that their risks were greater, given the scale of the lease.

15:30

Derek Brownlee: You may not know the answer to this, but are similar guarantees being put in place for the London Olympics?

Carole Forrest: Sorry, but I cannot comment on that.

Jeremy Purvis: I am slightly surprised to hear that there is no awareness of whether comparable agreements are being made for the privately owned venues that will be used for the Olympics. Mr Bearhop might want to comment.

Derek Bearhop (Scottish Government Equalities, Social Inclusion and Sport Directorate): I spoke to the London organisers this morning on that very point. They assure me that agreements are in place, but they are commercial agreements, so the organisers were not prepared to share the details with us. Suffice it to say that they are on a similar basis to the one that I described to them that we have arranged for the Glasgow venues.

Jeremy Purvis: I am interested in more information on that. If there are commercial agreements with private venue operators for the Olympics and we are being asked to agree something similar, it is fair for Parliament to be made aware of those comparable arrangements. I am not sure about the method of doing that. Are we being asked to approve the proposal today, convener?

The Convener: We are being asked to approve it today.

Jeremy Purvis: I am not sure whether there is a mechanism for receiving that information, but it would be useful.

Paragraph 4 in the explanatory note gives a rather horrendous example about

“the catastrophic loss of a stadium”.

Could there be a call on the Government's contingent liability for something that was the responsibility of a private stadium operator? What is the interaction on that? What would result in a call on the venue owner's liability, rather than on the public purse? The explanatory note gives the impression that, in the case of mishaps that result from bad management and which are fully the responsibility of the private operator, the public purse would be called on first. What is the protection for the public purse and what are the operators' liabilities?

Carole Forrest: In the contracts, the contingent liability arises only if fault lies with the organising committee.

Jeremy Purvis: The explanatory note from the Scottish Government indicates that risk management processes will be put in place, but the Parliament or the committee has not had sight of any of those processes. We were bitten badly in relation to the building in which we are meeting now because of a lack of risk management procedures. Do those exist yet or are they being drawn up? If they exist, could the Parliament see them?

Kate Vincent: The organising committee is at a fairly early stage and is appointing its top staff. The chief executive has been in place for only a couple of months. The OC board has agreed that putting in place arrangements for audit is an absolute priority. Sir Robert Smith, the chair of the committee, has a strong financial background with a particular interest in audit and risk. Therefore, we know that that will be a priority. We will work with the organising committee to ensure that all the risk management arrangements are in place. Our role is to ensure that the proper arrangements are in place and that the business plan is agreed and approved by the strategic group, which comprises the key partners in the games and is chaired by the First Minister. We are in the early stages, but we are absolutely confident that the risk management arrangements will be in place shortly.

The Convener: We are up against a deadline of 9 November. If, for example, the London Olympics people delayed giving us some of the information that has been asked for, that could cause us problems.

Jeremy Purvis: I am not opposed to the proposed measure, but it would assure us that work is being carried out if additional information could be provided to us, whether or not it relates to the London Olympics or is further information that the organising committee provides to us when the procedures are put in place.

The Convener: We can certainly contact people to try to get that information, but we are up against a deadline.

Alex Neil: We have no choice but to approve the proposal today, and we should do so. If additional information is available, that will be fine—it will be background information that will tell us how to monitor the situation. I doubt whether the London Olympics people will release commercially confidential documents to us, and we should certainly not hold back until we get them. As I said, we should approve the contingent liability. If we get additional information, we can use it to monitor the situation. We should not delay the process.

The Convener: That is a useful suggestion. Members have no further comments or questions. Do the witnesses have any additional comments to make?

Kate Vincent: No, thank you.

The Convener: Do members approve the contingent liability?

Members indicated agreement.

The Convener: I thank our witnesses. We wish them all success in their work.

There will now be a short suspension.

15:36

Meeting suspended.

15:37

On resuming—

Flood Risk Management (Scotland) Bill: Financial Memorandum

The Convener: The next item is consideration of our approach to the financial memorandum to the Flood Risk Management (Scotland) Bill. Members will see that paper FI/S3/08/23/6 suggests that we adopt level 3 scrutiny, which involves taking oral evidence from the main parties on which costs are expected to fall. In this case, we may wish to take oral evidence from the Scottish Environment Protection Agency, Scottish Water and the Convention of Scottish Local Authorities, or perhaps from two relevant local authorities, one urban and one rural—for example, Glasgow City Council and Perth and Kinross Council—and then from Scottish Government officials. We may also wish to seek written evidence from the national parks authorities, the Forestry Commission and groups representing private landowners, such as NFU Scotland and the Scottish Rural Property and Business Association.

Do members agree to what is proposed? If so, would members like to invite COSLA or the two individual local authorities that are mentioned in the paper to give oral evidence?

Derek Brownlee: The idea of inviting two local authorities to give oral evidence is useful, but the difficulty at this stage is picking them. Things depend on what approach we take. It is clear that some local authorities have much larger flooding issues than others do, and I suspect that different evidence would be received depending on the authorities that we selected. We must somehow ensure that every local authority is given the opportunity to give us evidence on how flooding will affect us. I want to be cautious that we do not prejudge the evidence or select councils that are not representative or councils that we do not realise are not representative. That is the only difficulty that I have with the proposal to invite Perth and Kinross Council and Glasgow City Council to give evidence.

The Convener: Yes. There is a difficulty. A city is one thing, and we might ask which city has been most affected by flooding. Perth and Kinross Council was chosen at random, but Perth and Kinross has certainly suffered badly from flooding. Anybody who can suggest a more appropriate local authority candidate should let us know now. If we want to take evidence from a city local authority, we could consider which city is most flood prone.

Joe FitzPatrick: Further to what Derek Brownlee was suggesting, we could ask for written evidence from all councils and decide which two to talk to based on that.

The Convener: We could certainly do that. That would clarify which local authorities consider themselves to be most at risk, but we might find ourselves in the same situation if several local authorities volunteered.

Joe FitzPatrick: We would be asking them for written evidence, not oral evidence. Once we had that, we could decide which two to talk to.

Alex Neil: I would be happy to go along with that.

The issue is all about cost, but nowhere in the paperwork does there appear to be an estimate of the potential savings from the investment in flood prevention. Presumably some modelling has been done on the savings that might be made. If that information is available, we should ask for it. There might be no such information, but I would have thought that some modelling has been done.

Derek, you are sniggering. What does that mean?

Derek Brownlee: I am just querying whether it would be feasible to identify the savings to the consolidated fund as a result of the investment.

Alex Neil: I just want us to ask whether any such exercise has been done.

The Convener: One of the problems with seeking written evidence is the length of time that is involved. However, having evidence on the savings is important. Perhaps the committee could delegate the matter to the deputy convener and me. That might speed up the process, which we need to do, because we are getting into a fixture pile-up situation.

Jeremy Purvis: I agree, and I think that Joe FitzPatrick's suggestion is good.

Could we ask for written evidence from business associations and organisations other than the landowners' organisations? It would be interesting to hear from the Confederation of British Industry and the Federation of Small Businesses, given the fact that areas that are liable to flooding raise business constraints.

Alex Neil: Transport Scotland should be added to the list as well.

The Convener: We are now expanding the list, which is dangerous. We need to decide who would be the most lucrative source of information. We could write to endless numbers of people, but it would take a lot of time for them all to respond.

Whom would it be best for us to contact?

Alex Neil: What is our timescale? When do we have to report to the lead committee by? That will determine what we can do.

15:45

Meeting continued in private until 17:04.

Susan Duffy (Clerk): At the moment, we have scheduled a session on 4 November, when we will take evidence from the bodies on whom costs fall. On 18 November, we will take further evidence from Scottish Executive officials and, on 9 December, we will consider the draft report. That will fit in with the lead committee's timetable.

Alex Neil: We should consult COSLA and ask it to nominate two local authorities. Would that be possible? I do not think that we have time to write to all the councils, as they will be slow in responding.

The Convener: That is a fair point.

Joe FitzPatrick: I think that we should write to all the councils, as that will ensure that we have evidence from all of them. If we do not have time to take oral evidence from them, at least we would have written evidence from them.

The Convener: We could set a firm deadline for the responses.

Jeremy Purvis: Will we be hearing from the minister or the officials?

The Convener: The officials.

Jeremy Purvis: Will the minister appear before us?

The Convener: No, because we are dealing with finance, not policy.

David Whitton: Given that flood management and flood prevention have been debated in the Parliament, does the department not have some information about which parts of Scotland have been badly hit? Perhaps SPICe or someone would have that.

Alex Neil: You are an optimist.

David Whitton: I know what you mean, but there have been at least two debates on the subject.

The Convener: We could make inquiries about whether there is a handier source of information.

David Whitton: I still think that Joe FitzPatrick's idea of writing to all the councils is good, if we set a firm deadline.

The Convener: Do we agree with that suggestion?

Members *indicated agreement.*

Alex Neil: Let us hope that we are not deluged with a flood of evidence.

The Convener: We now move into private session.

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