

MEETING OF THE PARLIAMENT

Wednesday 28 June 2000
(*Afternoon*)

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Scottish Parliament

Wednesday 28 June 2000

(Afternoon)

[THE PRESIDING OFFICER *opened the meeting at 14:30*]

Time for Reflection

The Presiding Officer (Sir David Steel): We welcome to lead our time for reflection Father John Robinson, parish priest at Peebles and Innerleithen.

Father John Robinson (Catholic Church, Tweeddale): I give you thanks for the gift and privilege of this time with you today. I had never thought that I might open my mouth in the General Assembly hall, let alone before the Scottish Parliament.

Today is the anniversary of the assassination of the Archduke Ferdinand in Sarajevo, Bosnia, in 1914—the spark that set off the first world war. It is also the day on which, in 1919, the treaty of Versailles was signed, which formally brought that war to an end.

In the Christian calendar, today is the feast of St Irenaeus, who became Bishop of Lyon and a martyr. As his name suggests, he worked hard for peace and unity. In light of those facts, here are some verses from Psalm 84:

I will hear what the Lord God has to say,
a voice that speaks of peace,
peace for his people.
His help is near for those who fear him
and his glory will dwell in our land.

Mercy and faithfulness have met;
justice and peace have embraced.
Faithfulness shall spring from the earth
and justice look down from heaven.

The Lord will make us prosper
and our earth shall yield its fruit.
Justice shall march before him
and peace shall follow his steps.

We know that peace between nations starts with individuals. Let there be peace on earth and let it begin with me. St Irenaeus taught that the glory of God is men and women fully alive. I am sure that the Scottish Parliament wishes everyone in the land to be fully alive—using their talents to the glory of God and in service of the community, and especially of those in need, and enabling justice and peace to embrace and mercy and faithfulness to meet—in every corner of the land. Of course, we always need to make sure that, in the midst of many demands on our energies, we are taking

care of ourselves individually, nourishing health of mind and heart, body and soul—that is justice, faithfulness, peace and mercy to self.

So many of our communities celebrate and become more alive in and through special ceremonies at this time and some of us, particularly in Selkirk and in Peebles, have been blessed with the weather that crowns the day.

I will finish with a Beltane blessing from our Highlands and Islands, which is found in the “*Carmina Gadelica*”, and which we used as Churches and community together in the Cross Kirk of Peebles:

Bless ourselves and our children,
Bless everyone who shall come from our loins,
Bless him whose name we bear,
Bless her O God from whose womb we came.

Be the Cross of Christ to shield us downward,
Be the Cross of Christ to shield us upward,
Be the Cross of Christ to shield us roundward.

Every holiness, blessing, and power,
Be yielded to us every time and every hour,
In the name of the Holy Threefold above,
Father, Son and Spirit everlasting.

Amen.

Budget Process 2001-02

The Presiding Officer (Sir David Steel): Our main item of business today is a debate on motion S1M-1057, in the name of Mike Watson, on behalf of the Finance Committee, on the 2001-02 budget process.

14:35

Mike Watson (Glasgow Cathcart) (Lab): The Scottish Parliament is officially one year old this week. The past year has been historic, marked—naturally enough—by a long line of firsts. Today's debate marks yet another first and it is one of the most important. It is important because it is self-evident that scrutiny by the Parliament of what the Scottish Executive has to spend and how it is spent is a crucial aspect of our work.

More important, we are taking part in a process that is not just innovative, but revolutionary in the context of government in Britain: not only does the Executive tell us how it will allocate its resources, but it tells us a full year in advance. The Executive submits its plans for scrutiny not just by the Parliament, but by the people of Scotland. Today's debate is concerned with evaluating the extent to which that scrutiny is as meaningful as it can be.

The Finance Committee has prepared its report after consulting nine other committees. That process has involved no fewer than 92 members of the Scottish Parliament who are not ministers or leaders of the four main parties. That is what gives the report gravitas and considerable political clout. It also explains why both the report and today's debate are being taken so seriously by the Executive and by the Minister for Finance in particular. However, this afternoon's discussion is not just about the report on the budget process for 2001-02; it concerns a set of written agreements on the budgeting process in general, which the Parliament will also be asked to endorse at decision time.

There are a total of five written agreements, all of which are concerned with the structure of the budgeting process in one form or another. My colleague Andrew Welsh, the convener of the Audit Committee, will move a motion on a separate written agreement before decision time. The parties to three agreements are the Executive and the Finance Committee; the agreements involve the budgeting process, the format of accounts and in-year changes to expenditure allocations. The common theme of those agreements is the three-stage procedure leading to the agreement by the Parliament of an annual Scottish budget, which was one of the key recommendations of the financial issues advisory

group. There are also written agreements between the Finance Committee and both the Scottish Parliamentary Corporate Body and the Scottish Commission for Public Audit. All those agreements appear in today's business bulletin in my name and will be voted on at decision time.

As the agreements make clear, and in keeping with the ethos of the Parliament, they are not set in stone. If, after being put to the test, it is found that the agreements are in need of revision, that is precisely what will happen. Either party can initiate that process, although before taking effect any changes must be agreed between the parties.

The wording of the first three agreements is a product of a lengthy process, which involved the committee impressing on the Minister for Finance the need to be as open as possible with financial documentation to increase accessibility and comprehensibility and to allow for meaningful scrutiny. In that spirit, it should be recorded that the minister made several concessions, not least in terms of the information that will be disclosed when the budget bill is published every January. The minister appeared before the Finance Committee on seven occasions in its first year of operation. That is an example of the way in which the Parliament's committees hold the Executive to account and the willingness with which members of the Executive appear before those committees.

I turn to "Investing in You" and the Finance Committee report on it. The source of the saying that devolution is a process, not an event, has been lost in the sands of time, but the saying is a truism, none the less. I would argue that a similar description could be applied to our scrutiny of the Executive's budget proposals. That scrutiny will become an annual feature of the working of the Scottish Parliament and indeed beyond, because I hope that it will develop into a three-way partnership between the Executive, the Parliament and the people of Scotland. Today, we reached the conclusion of the first stage of the first full year of the process and no one—not Executive ministers and officials, the subject committees or the Finance Committee—has claimed that the process has been anything other than imperfect. That is hardly surprising.

The Finance Committee report takes a critical, but constructively critical, approach. In no way does it represent a partisan view of members of the committee, who have worked as a team. That was evidenced by the fact that there was just one division during our consideration of the various drafts of the report.

Those who study our report should do so in the knowledge that its purpose is to ensure that, this time next year, the stage 1 debate can concentrate on the substance of the subject committees' recommendations.

There are three questions of genuine interest to those who examine the Executive's budget proposals. First, what priorities are outlined, and are they the most appropriate ones? Secondly, if they are not the most appropriate, to which subject areas should resources be redirected? Thirdly, within the parameters of fixed budgetary limits, from which subject areas should those resources be taken? To stand any chance of being able to answer those questions, anyone reading the Executive's annual expenditure report, this year entitled "Investing in You", should be able to access the pertinent information in sufficient detail, in the proper form and with the possibility of making adequate comparisons. The thrust of the Finance Committee's report is that those prerequisites are not met, because of what we perceive as major flaws in the structure, style and, to an extent, content of "Investing in You".

It was not just the content of the proposals that gave us cause for concern. To be a meaningful exercise, stage 1 of the budget process requires adequate time to ensure that the subject committees are able properly to scrutinise the budget proposals. The clear message from several committee reports was that those committees felt that they had insufficient time to do so this year. We are well aware of the pressures on all committees in the Parliament, particularly those that are dealing with legislation. None the less, there has to be an element of forward planning to allow adequate time for the budget—which is, I would argue, the most important piece of legislation to be passed by the Parliament in any one year—to be discussed. The committees want that, the Executive wants that and I am sure that it will happen in future years.

That is one aspect of the process that I believe requires improvement and it is part of the reason why the Finance Committee has recommended that there be a full review of how the Parliament's business is scheduled at stage 1, which is essentially between the end of March and early June. The subject committees and the Finance Committee must commit the time that that important exercise demands.

The Finance Committee welcomes the willingness of the Minister for Finance to engage in the process. Our report recognises the part that he played in opening up the process, including his groundbreaking public consultation in town halls across Scotland. I understand that there are plans for that part of the process to be extended. The process has never been attempted before and has been welcomed by the public. It is obviously imperfect, but it represents an important start.

Mr John Swinney (North Tayside) (SNP): The meetings also took place in village halls.

Mike Watson: Indeed—I am not restricting in

any sense the size of the halls or community centres concerned. Wherever the public are able to access their finance minister, that access has to be a positive sign.

I do not think it unfair to say that the fact that the subject committees said little by way of criticism of the figures given in "Investing in You" probably owed more to an inability on those committees' part to make meaningful comment than to an enthusiastic endorsement of all the proposals. Only two committees made recommendations for changes to the budget proposals, but the implementation of the recommendations in our report may lead to rather more—and more trenchant—opinions being expressed next year and in future years.

I was surprised, when walking in the vicinity of the Parliament yesterday, to read billboards advertising *The Scotsman* bizarrely carrying the words:

"MSPs attack Executive's budget proposals".

In fact, our report does nothing of the sort. It makes 14 main recommendations, almost entirely about the presentation, style and general accessibility of the document that contains the proposals rather than about the proposals themselves. Those recommendations are contained at the beginning of our report, which is available to all members. I will highlight a few of them.

To engage fully in the examination of areas to which public expenditure is principally directed, access to clear, easily understandable information, as well as to robust figures, is essential. Our view, which echoes that of many subject committees, is that "Investing in You" did not achieve those core criteria. The Finance Committee has said that that was the document's main failing.

That is why the committee recommends that major changes be introduced for next year, including presentation of information in a style that allows the strategic goals of the departments and the use of objectives and targets to be examined. Often the targets contained in the document did not match the level of detail in the budgetary information. We believe that there needs to be greater clarity and more explanation about how individual targets can be met and how specific funding will be applied to ensure that that is achieved.

In particular, the committee draws attention to the lack of information on the objectives set for last year and the extent to which they were achieved. The absence of such basic information severely restricted the subject committees' scrutiny of spending plans in their areas, which made it next to impossible for them to assess the accuracy of the figures.

On several occasions in the past year, the Finance Committee has raised the issue of the need for figures to be presented in both cash and real terms, which is why we describe the lack of a total budget in real terms as the most disappointing aspect of the document. We believe that it would be relatively simple for the Executive to present figures in that way, which would make the document much more meaningful. For that reason, I hope that the minister will be able to confirm that next year's document will contain the information in the form that we have requested, with two tables of the budget clearly set out for level I figures and subsequently for level II figures.

I am aware that Jack McConnell has already given members of the Finance Committee an initial response to the report, which is much appreciated, especially as the report was published only on Monday. I will not comment on his response, because I have not yet had the chance to consider it in sufficient detail; however, I have no doubt that he will refer to it in his speech. The fact that the response has been made available to Finance Committee members so quickly is appreciated.

The Finance Committee welcomes the introduction of end-year flexibility as part of the Executive's budgeting procedure. However, a lack of clarity in the document prevents identification of the underspends in one programme that are transferred to another. It was difficult to ascertain whether planned spending had actually risen. Furthermore, two subject committees identified inconsistencies in the treatment of end-year flexibility in their individual areas.

There is not a huge gulf between what the Finance Committee seeks and the form in which the information was made available this year. On that, as on other areas, a greater effort by the Executive to provide clarity would make the task of scrutinising proposals more straightforward and therefore more effective.

The final recommendation that I will highlight has previously not been given much, if any, attention in annual expenditure plans. However, equality issues are a matter that must—and I am sure will—receive greater attention in future.

Several organisations have been lobbying MSPs and the Minister for Finance on the question of "engendering" budgets, a process that is carried out in several countries, most notably—and successfully—in Canada. For the Scottish Executive, the prerequisite for producing meaningful information on the manner in which budgets affect men and women is a gender impact assessment. That involves conducting a gender audit across spending programmes to assess their overall impact on women and to identify desired outcomes so that we know what the Scottish

Executive or individual departments want to achieve. We can then retrospectively audit how those policies are delivered and whom they affect, as there are a number of areas in which policies have different effects on men and women and boys and girls. It is not greatly difficult to extract such information and to make it available, thereby making it measurable in future. The issue of cross-cutting across various departments also comes into play on this matter; however, although the report also deals with cross-cutting, I do not propose to discuss the topic just now.

On the question of addressing equality issues in budgets, I was present as a member of the Social Inclusion, Housing and Voluntary Sector Committee when it took evidence from the Minister for Communities on the budget proposals. With typical candour, she admitted that she could not integrate equality into policy making in her department because of the lack of the necessary information in a disaggregated form. However, members of the Social Inclusion, Housing and Voluntary Sector Committee were more concerned by her inability to guarantee that the position would have improved sufficiently to allow her to do so in next year's budget. There was no suggestion that she would not try; however, she was not willing to give a guarantee that, a year from now, we would be where we wanted to be on this issue.

The Finance Committee thinks that such a situation is unacceptable. All Scottish Executive departments must, as a minimum, begin to produce gender impact assessments for next year's figures, imperfect though they might be. The Finance Committee and the subject committees will expect to see signs of progress in that important area of budget policy and process.

There is much to be welcomed in "Investing in You"; the criticisms and exhortations to improve for next year should not be allowed to conceal that fact. Considerable steps forward have been taken since last year's version of the document, which itself was an improvement on the days before the Scottish Parliament was established. As the Finance Committee says in its report:

"The first time something new is done, it will always be experimental."

That may seem self-evident, but stage 1 of this year's budget process, perhaps because the process is new, has been imperfect. However, some valuable lessons have been learned and others are still to be learned. We are confident that those lessons will be learned. As a committee, we are committed to driving that process throughout the rest of this year's budget process and into next year's. With that in mind, later in the year we intend to conduct a full review of the operation of the budgetary process. We shall involve those who will have a key role in making the process

better next time and in future years; that is why committee conveners, Scottish Executive finance department officials, the Minister for Finance and the Minister for Parliament will all be invited to contribute to that review.

The measure of how successful we are, not as a committee but as a Parliament, will be the type of debate that takes place this time next year on stage 1 of the 2002-03 budget process. I believe that that debate will concentrate on the budget proposals rather than on their presentation. If that means that the Minister for Finance is faced with a number of clearly articulated suggestions for redirection of spending in certain policy areas, so be it. That is the purpose that the financial issues advisory group intended should develop from the process that it devised. We are not there yet but, as a result of today's debate and this year's scrutiny of the process, I believe—as does the Finance Committee—that we have taken an important step closer.

I take this opportunity to thank the 92 MSPs whom I mentioned and the parliamentary staff of the various committees, who took on a considerable work load to turn round the committee reports in the specified period. I thank them all for making an essential contribution to stage 1 of the budget process.

I move,

That the Parliament notes the 11th Report 2000 of the Finance Committee, *Stage 1 of the 2001-02 Budget Process* and commends the recommendations to the Scottish Executive.

14:52

Andrew Wilson (Central Scotland) (SNP): I congratulate committee colleagues on a quietly hard-working, but valuable year. In particular, I thank Elaine Thomson and, of course, Mike Watson as convener of the Finance Committee for leading a balanced approach that has resulted in a fair stage 1 report that recognises the value of some of the improvements in the process that the Executive has undertaken. To be fair, I should add that the report does not miss the mark with some hefty but, I hope, constructive criticisms.

My party's views on the budget context are well known, and my colleagues and I hope that the Minister for Finance will not only take note of the committee report, but accept whole-heartedly all the conclusions and recommendations. Many of the requests and recommendations have been called for over the course of many months, and the SNP feels a great deal of frustration that, although the minister has talked and spun hard about openness and consultation, our experience has all too often been quite the opposite.

My colleagues will cover many of the detailed

points. Mike Watson has, very ably, covered most of those points already. I will deal with some of the structural issues, the first of which is what, in practice, we can add to the budget process beyond specific process improvements. Mr McConnell is always crying that we should be talking about how to move things from one budget heading to another and how to reallocate within the budget. The theme of devolution budgets seems to be robbing Peter to pay Paul—cutting hospitals to pay for schools, or vice versa. That is absurd in a mature democracy.

As the committee report shows, even some ministers have refused to say whether they felt that budgets were adequate. The committees felt that the Government's consultation made such judgments impossible and almost meaningless. "Investing in You" was described as having "crucial omissions" and being "unhelpful"; it was even described as "positively misleading".

Today, we have learned from *The Scotsman* that the Executive now has some £440 million to spend, from an

"underspend in the Scottish budget."

It might have been helpful for committees to have had some knowledge of that before they engaged in the budget process.

Devolution has added no new financial powers or budget power to Scotland, beyond a marginal taxation power far smaller than all councils have. How can we hope to deliver the services that people demand when we cannot determine the size of the budget or the most effective, responsible and prudent way in which to raise it? It is true to say—the minister has done so often—that the search for spending better and more effectively is crucial. People will trust public servants only when their money is spent effectively and when it can be proved that that money is being spent cleverly and well. Everyone agrees with the minister about that—it is a crucial part of the Executive's work and I hope that Parliament will support the Executive in it. It is, however, only one part of the Executive's work; indeed, it is but a small minority of the overall game.

Big issues relating to Scotland's budget are being dealt with just now—many of us are familiar with those issues and I want to comment on a few of them. We must recognise that there are structural constraints that we must deal with if we are to go any way towards delivering the services that people care about. The first of those constraints is the Barnett formula. I have been asking for many months for the Barnett formula to be addressed and I am pleased that the minister has at last recognised the existence of the Barnett squeeze. I regret, however, that last week he felt

unable to engage in debate without the use of hyperspin and political abuse. All parties now recognise that the Barnett approach means that Scottish spend per head has been artificially converged with English levels. That means that spending in Scotland is rising more slowly than it is in England and that that is happening without justification. The Barnett formula takes no account of need in Scotland or of the cost of delivery. Perhaps more important, it takes no account of public choice.

Scotland spends more per head on education than the rest of the United Kingdom does, but that is our choice. We are also taxed more, but we spend less per head on education than most of our competitor European countries. Look around—our schools are in decay, but our spending must still be converged with English levels. Why? The point of devolution was diversification, but the financial structure under which we operate was designed to produce uniformity. There is no logic, sense, rhyme or reason to that. We cannot respond to Scotland's demands for public services if the powers to deliver those services do not exist.

The calls for reform of the Barnett formula are not well thought out or considered. I can see no way of reforming something that is essentially broken. A needs assessment would be meaningless. How can one define need when what is being dealt with is public choice? Is the delivery of water services through public authorities a need or a democratic choice? Is the delivery of health services through public bodies a need or a democratic choice? Are proper support for students and the four-year degree course needs or democratic choices? How does one define a country's needs? To try to do so implies a distant paternalism that is contrary to the principle of devolution. Our job is to respond to the people's demands for high-quality public services. The problem is that we do not have the policy tools or powers to do so.

Those members who want the UK to persist will have to find a way of justifying that absurdity. I can see no scope for reform of the Barnett formula that would recognise that there is now a Parliament in Scotland. The Barnett system was designed for a union and a unitary state; it does not and cannot accommodate the growth of Scottish democracy. It is not fair on Scotland, and the misrepresentation that results leaves a sense of unfairness elsewhere in the United Kingdom. That situation is unsustainable. If we look around, we can see clearly the results of the Barnett formula in our schools and our hospitals. The public do not have faith that those services are being delivered properly.

Our treatment of public servants is also an issue about which there is major concern, so I turn now

to what I reckon is a ticking time bomb in the Scottish budget—public sector pay. My colleague and friend Adam Ingram will deal with that later with specific reference to local government pay settlements. The view of the Local Government Committee and the Finance Committee is that the Executive's

"current system whereby pay increases are expected to be funded by 'efficiency savings' . . . is unsustainable."

That is a highly significant conclusion, which is backed by every party in the chamber. We are gravely concerned about the situation in local government, which has lost out badly under the current system. Not only have there been real and effective overall cuts, but local government's share of the total Executive budget has fallen. If local government had the same share of that funding as it had in 1998-99, it would have received an extra £900 million during the following three years. That is partly the reason why there is nothing short of a crisis in local government funding and delivery of services.

Local government services are being cut everywhere and the quality of life at local level is being diminished. Unfair and regressive council taxes are rising everywhere, making Scotland the most highly taxed region of the United Kingdom. What can the Executive do to address that? One-off boosts from the comprehensive spending review will be welcome, but they will not tackle the underlying structural problem; I doubt whether such boosts would even begin to paper over the cracks.

The previous CSR did not deliver—one need only look around at our services to see that point proved. The concern about pay settlements points to a wider worry in the public sector, which must be addressed. In the coming financial year—the year with which Mr McConnell's budget is concerned—the Scottish budget will increase in cash terms by 3.3 per cent. In that period the Treasury estimates that average earnings will rise by 5 per cent. That can only mean that jobs will be lost, or that public sector pay will fail to keep pace with average earnings in the economy, or a combination of both.

A recent answer from Mr McConnell to a parliamentary question that I lodged shows that 50 per cent of the overall budget is accounted for by public sector pay. When other labour costs are taken into account, the figure could be even higher. In health, for example, 71 per cent of the overall budget finds its way into wages and salaries. If we stop and think what that means, we realise that the health budget will have to rise by 5 per cent just to stand still and to keep in line with the overall rise in average earnings.

With that in mind, it can be seen that the

planned 6.6 per cent cash increase is at best, in resource terms, a 1.6 per cent rise. The real value of what that can deliver has to be reflected on closely. The only response that the Executive gave during committee consultation on these matters was the cry of "efficiency savings", but when 70p in every £1 in the health budget is spent on wages, efficiency savings mean jobs cuts. We have to be honest and deal with the implications of that.

The committee continuously raised the issue of cost inflation. Non-labour costs are 30 per cent of the health budget. Dr Richard Simpson raised the point that, in the drugs budget, inflation can be 8 per cent or more. That means that the drugs budget has to rise by 8 per cent just to stand still—to deliver no more and no fewer of the products that are being purchased. We need to know more about those pressures if we are to be able to spend wisely or to assess whether the amount that we are dedicating to health is adequate. I am pleased that the Finance Committee is seeking to sponsor research into that, thanks to the work of the convener, Mr Keith Raffan, Dr Richard Simpson and other colleagues.

Health is a good illustration of the process, because the Executive has invested so much of its political capital in it, which is why I comment on it today. It illustrates the fallout from all that we are talking about today in terms of structures and the cost to the Executive of over-selling and mis-spinning what is going on.

Yesterday, I revealed four simple fiddles from the Executive's answers in the past week to parliamentary questions that I had lodged. The Executive's spin doctors then went into hyperdrive, attacking me personally but not answering any of the points that were raised—that is why I bring those points to the chamber again today. First, I asked Susan Deacon, the Minister for Health and Community Care, to list health spending changes in every year for which there are records. The answer revealed that the only Government in history that cut health spending in real terms was Labour in its first year in power.

Fiddle two is the Labour claim that over the next four years health spending will rise at record levels. In fact, a parliamentary answer from Susan Deacon shows that, in Mrs Thatcher's second year and last year in power, health spending increased more quickly. In John Major's first year in power, he increased health spending more quickly. That fact does not give me any pleasure, because I recall joining the Labour party in condemning those Governments for being absurd and for attacking the national health service, but it is a home truth that we have to deal with.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): I apologise for missing the beginning of Andrew Wilson's speech. I was being interviewed about health; I apologise for knocking him off the television in order to do it. Is not the point that the difference is between a one-year increase, which happened now and then during the 18 years of Conservative Governments, and a sustained period of increase in the health budget? Is not it the case that this is the biggest sustained increase in health expenditure if looked at over a period of five years or so?

Andrew Wilson: Mr Chisholm has done the viewers of BBC Scotland a favour in knocking me off the television. However, with respect to the budget, the point concerns the Labour spin that health spending will increase at record levels in the coming four years. My point is that the increase in 1980-81 was 6.6 per cent, compared with 4.3 per cent next year. In 1991, which was John Major's first year in power and Mrs Thatcher's last, health spending increased faster. Those are facts that prove the Executive's spin to be untrue. The Executive must be more honest if people are to trust what it says.

The third, and perhaps most significant, fiddle was the spin by Gordon Brown in the budget that health spending would rise by 6.1 per cent every year for the next four years. Colleagues will recall that, at the time of the budget, we continuously pressed the Executive in the chamber to fulfil that commitment for Scotland. That was not done; as can be seen from a parliamentary answer, next year we will get only 4.3 per cent rather than 6.1 per cent. Over the period concerned, the shortfall in the Scottish budget for health is £315 million, which would have been available if the Executive had fulfilled the clear commitment in Gordon Brown's budget. When Malcolm Chisholm is not knocking Gordon Brown off the television, viewers in Scotland are entitled to believe that what the chancellor says is true. If the Executive does not deliver on that, it owes Scotland an explanation for the shortfall.

The fourth fiddle relates to misleading Parliament. I am sure that the Minister for Finance will take this opportunity to apologise or to explain. When he announced the changes resulting from Gordon Brown's budget, he said, quite explicitly, that the overall spending on the national health service, over and above inflation, would be 7.3 per cent next year—trickery to get himself out of a political hole.

I challenged the Executive and lodged parliamentary questions at the time. The reality is that next year, far from being 7.3 per cent, the increase will be 4.3 per cent. That may sound like an argument over statistics, but the reality is a shortfall of £150 million, about which Mr

McConnell has mis-spun and has misled Parliament.

The Minister for Finance (Mr Jack McConnell): One of the most important recommendations in the Finance Committee report is that the figures should be easily comparable from year to year in each department. One of the points made in that report, which Mr Wilson was praising 12 minutes ago, was that end-year flexibility money should not be used to distort year-on-year comparisons in percentage terms. Will he admit to the Parliament that the 7.3 per cent increase in health spending from last year to this year is 7.3 per cent, with last year's end-year flexibility money taken out? Having admitted that, will he withdraw the disgraceful comment in yesterday's press release that I had lied to the Parliament?

Andrew Wilson: The answer to that is no. I quote from the record of that debate:

"That means a 7.3 per cent real-terms increase next year".—[*Official Report*, 30 March 2000; Vol 5, c 1197.]

By "next year", the minister meant the coming financial year. When I consider the Executive's parliamentary answer to a question that I lodged on the subject, I see that the actual increase is 4.3 per cent. It is the minister who is guilty of misleading Parliament—as a member of the Opposition, I would not be doing my job if I did not point that out. The minister cannot get away with using Labour party general secretary tactics when he is in a ministerial post—a post that is far too important for the old tactics that he used to employ.

I have tried to be constructive in my criticisms, as I think all the committee contributions have been. We have work to do in opposition—I take that work as seriously as I can. The wider issues of the Barnett squeeze, pay constraint, cost inflation and, indeed, the deliberate misleading of Parliament must be dealt with. People have high expectations of the Parliament—we must deliver. People are entitled to place expectations at the door of public service. If the Government cannot deliver, the Government can be changed. However, if the system cannot deliver, that is a far wider matter. We must not close our minds to the process of reform.

John Smith's "unfinished business" is not finished—it has just begun. We must all take part in driving the process forward. Where members choose to jump off is up to them. The key point is that we must keep moving forward if we are to deliver.

15:07

Mr David Davidson (North-East Scotland) (Con): We came here this afternoon to talk about

the process. I am happy to enter into the bits and pieces, but there is a time for that. I agree with some of Andrew Wilson's points. They have been reflected in various *Official Reports* of committees in volume 2 of the Finance Committee's report.

In responding for my party, I wish to congratulate my colleagues on the Finance Committee, ably supported by our clerks, for their joint effort in producing what I consider to be a concise and well-constructed report, which not only demonstrates the inadequacies of the system introduced by the Executive, but clearly sets out the Executive's failure to play its part in what is supposed to be a transparent process.

The financial issues advisory group, in its deliberations, recommended that a system of budget debate and scrutiny should be introduced—that was supported by all the parties in the Parliament. It is sad that the Executive did not make its best effort to ensure that that process got off to a flying start. We are still of the view that the tremendous work carried out by FIAG offered an opportunity for a more transparent approach to the budget process and would allow the Scottish people to understand better what we in the chamber are trying to do on their behalf.

We believe that the committee structure of the Parliament is beginning to demonstrate its strength and importance. As it does so, we see the Executive, and especially the Labour party, apparently having second thoughts about the new openness of the process. That is clearly demonstrated by the way in which the Minister for Finance has dealt with some of us during the finance procedures.

The minister failed to keep his deadline, which meant that committee time was constrained. That time squeeze was emphasised when the subject committees were not given enough time to do their job properly. For most committees, the budget process put an additional load on to the major investigative work that they currently undertake. It is essential that when we come to a further review of the budget process in the autumn, we establish a fixed time scale, which will give the committees reasonable time to reflect on the Scottish budget and will tie the Minister for Finance to firm dates for the performance of his role.

The fact that it has taken until this week to get in place a written agreement between the Finance Committee and the minister is a scandal. The fault certainly does not lie with that committee. Today is about the performance of the Executive, and of the Minister for Finance in particular, in conducting their side of an open and honest budget process. I realise that ministers will try to retain control of any process, but I found that the minister's evidence to the Finance Committee was less than clear on many occasions, which could lead one to believe

that the minister has not yet got up to speed with his role, despite the fact that the rest of us depend on his input to progress budget deliberations.

I will now turn to the Executive's glossy document "Investing in You". The committee and many senior figures in the finance sector found the document to be imperfect, which is a euphemism for fanciful. As the convener of the committee, Mike Watson, stated, the document failed on two major points. It failed to provide clear information and robust figures in an easily accessible form.

Mr McConnell must listen to the Parliament. He must accept that, in this modern world, people must base their views on the performance of the Executive in real terms, not just in the cash terms that give the illusion of huge increases, when, in fact, spending in many areas has still not caught up with that of the previous Conservative Government. That point was well made by the separatists, Tommy Sheridan and others over the year. The document is nothing more than a glossy spin, designed to fool the man in the street into thinking that the minister has everything under control. I would like to know how many copies of "Investing in You" were printed and at what cost, and how many were bought.

In the first budget debate, I asked Jack McConnell to come clean and admit that he was a member of the Magic Circle. Today, I ask him to do the decent thing and admit that he no longer deserves that accolade. He should revoke his membership of the Magic Circle forthwith and apply to Henry McLeish for an individual learning account to go on day release classes in bookkeeping.

Everyone has seen through the myth and hype of "Investing in You". It would have been better, and more honest, had the document not gone to publication this year in that form. The document fails in many ways: it is over-complicated for the average reader but does not give enough detail for those who require to use it for professional purposes. We must move to a stage where, in each section, both cash and real terms are clearly laid out, side by side, and spending trends over the years are clearly stated for the purposes of comparison.

The purpose of any consultation, be it with the committee, a sector of public service or the public, is to spell out clearly what it is that the Executive is attempting to deliver, so that those who are consulted can come to a reasonable view without having to do too much work.

When I was a councillor in Stirling, I was appalled by the amount of public money that was wasted on glossy documents that talked up all sorts of nonsense. The council heavily advertised consultation processes that a bare minimum of

people attended. To what end? In those days, we had silly questions such as "Do you want a fire engine or a public toilet?" If questions were skewed, the council did it with style. I am sorry to say that the Executive has a tendency towards that approach, and we do not want it in any document related to this Parliament. That is the old Labour way of doing things, yet I thought that the minister was a moderniser.

If "Investing in You" is a truly representative picture of the minister's ability—if so, that would concern me most—it shows up certain inadequacies that are not what we would expect in a minister. The media regularly talks up the minister as a potential First Minister. I would have thought that that is a distraction, as he has had a short space of time in which to grasp his subject and to get on top of the way in which committees require him to work. The committees are the vital hub of this Parliament, and we demand that the minister accept that the Parliament controls and owns the budget process—not a minister and not the Executive, regardless of majorities.

The days of smoke and mirrors are over. We must have clarity and the minister must listen carefully to the needs of the committees, so that they can do their jobs. I do not argue that sometimes he has moved forward, but I found that this morning's press release from the minister, which I read only briefly, was a little on the defensive.

I ask the minister to accept fully the outcome of the review that will take place in the autumn, which, I presume, will be conducted fairly and with the participation of the Government, including Tom McCabe, and all members of this Parliament. It is vital that we get the budget process right, because, if we do not, the downturn will be that those of us in the Parliament who have to work with the Executive through the Minister for Finance will lose confidence in the process. If we lose confidence in the process, so will the people of Scotland.

The document was an embarrassment. I will not go as far as Andrew Wilson and ask for an apology, but I want the minister today to state clearly that he takes on board the spirit of the report and the generous offers made within it to work more closely together to ensure that we have an open and transparent system that will ensure that the budget process is owned by the people of Scotland.

I would welcome a public debate on the Barnett formula—in time—but we should come to it informed and with the proper time. Today's debate is about the process. The bits about structure do not matter, I say to Mr Wilson. We have to get the consultation process right from day one. If we do not, all the other bits and pieces cannot flow

smoothly. We cannot have reasoned debate if we do not have a formula and a basis upon which we have the confidence to make our deliberations.

I congratulate the other committees on the work that they have done and FIAG on the work that it did before we came to the Parliament. I also thank my colleagues for the open and quite forceful way in which the whole issue was debated. To my mind, the report is first class, delivered with clarity and purpose. It is important that the minister listens to it most carefully.

15:16

Mr Keith Raffan (Mid Scotland and Fife) (LD):

It would be somewhat naive of me to express surprise at the previous two speeches—I have been too long in this game—but I do want to express my disappointment. It brings to mind the most famous, most valid and most important thought of Chairman Mao Tse-Tung: when in internal disarray, find an external enemy to attack. In view of the Scottish Tory party conference last weekend and its somewhat depleted executive—

Mr Davidson: Will the member give way?

Mr Raffan: I will not give way to Mr Davidson. His nickname in his party is Striker, but he did not score many hits today.

The Tory party's executive was sadly depleted over last weekend and we all know about the problems, disruptions and disarray in the SNP.

This is a committee debate. The report was unanimous. If we are to influence the minister, it is important that we debate in a constructive manner. There will be criticisms, but they should not be personally aimed at individuals; not only is that a naive tactic, but it lets the minister off the hook, giving him the opportunity to reply to the various petty party political points made by Mr Davidson and Mr Wilson, instead of, as I hope, addressing in his speech some of the important recommendations in the report.

That is the approach and tone that I will take in my speech. If the minister accepts the recommendations in the report and implements them fully in the next year, I am sure that I will be able to speak in a similarly measured way a year hence.

Mr Swinney: Will the member give way?

Mr Raffan: No, but I will be happy to give way later on the substance of the report.

Mr Swinney: It is on the substance of the report.

Mr Raffan: No. I do not want to add to the SNP's current agony. I want to get on with the important business at hand.

Mr Swinney: Will the member give way?

Mr Raffan: I will give way in a second. I want to make progress in my speech.

As the convener of the Finance Committee said, only two subject committees recommended shifts in expenditure, largely due to the limitations and deficiencies of "Investing in You". As the acting First Minister put it at the Scottish press dinner last night, we are all on a "perpendicular learning curve", which is a somewhat graphic expression. The first year is bound to be experimental and the process is bound to be imperfect. I am therefore glad that the committee has agreed to review the process in the autumn, because I think that we will be able to make some constructive suggestions for the process next year.

It is also important for the subject committees to set aside sufficient time. It is clear that some of them had great difficulty doing that this year. I am not being critical—some of them had a heavy burden of legislation and have inquiries that they want to complete before the summer recess. The subject committees should strive to achieve a uniformity of format in their reports, which would make it easier to compare reports and the issues raised by the different committees. This year the reports were too variable.

As our report says, clear information and robust figures are necessary if the subject committees are to be able to scrutinise thoroughly the strategic direction of departments and funding. The longer the process goes on—and this is clear in recommendation 5 of the report, which could be called the cross-fertilisation recommendation—the better we will get at it. The experience of the budget stage 1 process can be used by committees to inform their inquiry and legislative work during the coming year—and vice versa. The more knowledge and expertise we as individuals—and the committees—acquire, the more important and influential our contribution to policy making and budget decision making can be.

I am concerned about the current proposal to reduce the number of members on committees. I have some sympathy with the proposal because of the work load on committees, but the way to deal with that is to pace the work better. If most of us are on one committee only, we will lose the experience that we bring from one committee to the other. To give the example of the Finance Committee, we would lose the experience of Dr Richard Simpson from the Health and Community Care Committee, myself and the convener from the Social Inclusion, Housing and Voluntary Sector Committee, Mr Wilson from the Audit Committee and Mr Davidson, if I am right, from the Enterprise and Lifelong Learning Committee. That expertise and experience informs our deliberations on the Finance Committee and greatly assists the budget discussion process.

I hope that the Parliament will be very careful in moving to a restructuring of committees after such a short time. There is too much of a tendency here—as there is in the press gallery—to keep on pulling the Parliament up by its roots to see how it is growing. That is not the way for the Parliament to develop and evolve; it should be left to settle down for a reasonable period.

For scrutiny to be thorough, effective and valid we need a budget book—a budget bible we might call it—that, as the report says, contains clear information and robust figures. That would give the solid foundation needed. We need radical changes to the structure, content and style of that budget book; otherwise, as I said earlier, the subject committees cannot make valid judgments on strategic directions and whether funding is set at the appropriate levels.

As a journalist by trade I would add that the reason that *Time* and *The Economist* are such successful magazines is that they have two types of journalists: reporters and writers. The writers are more important because they ensure a house style, a common format, so that neither publication appears disjointed, uneven or variable. Looking through the different chapters of the budget book it is clear that the individual departments have written them and they are too variable and uneven.

Dorothy-Grace Elder (Glasgow) (SNP) rose—

Mr Raffan: I will give way, briefly.

Dorothy-Grace Elder: In American journalism one type of journalist is called a leg person and the other is a rewrite person. In Scottish newspapers the people who rewrite and muck about other people's copy are usually called butchers.

Mr Raffan: I am not quite sure what the relevance of that is. Never mind. I am sure that upon reading the *Official Report* I will make some sense of it. The point I am making is about house style, but I am sure Dorothy-Grace Elder was trying to be helpful.

Each chapter should open with the programme for government priorities, which should form its basis. I will not bore colleagues, because they have heard me wax lyrical about the Oregon budget book too often. Indeed, I have spoken about it so much that Mr Wilson is now going to go to Oregon, but there is no question that we have a lot to learn from other countries. Graham Leicester of the Scottish Council Foundation told us:

"I now know more about the state of Oregon after reading this book for 10 minutes than I know about the state of Scotland after studying it for three years."—[*Official Report, Finance Committee*, 8 February 2000; c 331.]

There is a lot that we, the Minister for Finance and

the Scottish Executive can, and I hope will, learn from others.

Many of the inadequacies in "Investing in You"—and there is a list of them—have been touched on already. Baseline information is crucial so that we know the targets for the previous year and the extent to which they have been met. Also crucial are the targets for the next year and figures, in real as well as cash terms, down to level II.

Mr Wilson made a valid point about inflation: in certain areas, such as the generic drug budget, inflation is much higher than elsewhere. We need performance-monitoring information. On cross-cutting issues such as drug misuse, we need much greater clarity on the amount spent by individual departments.

It is not just the quality of information but the lack or inadequacy of the information and data that is so crucial. The final chapter of "An Illustrated Guide to the Scottish Economy" by Professor Jeremy Peat, who is the chief economic adviser to the Royal Bank of Scotland, and by Stephen Boyle, the head of business economics at the bank, is entitled "What we don't know—and why it matters".

The authors make it clear that the Scottish Executive's policy-making role and the Parliament's role of influencing that policy making are impeded by lack of data. They say that a necessary condition for sound policy making and sound budget decision making is the availability of robust and timely data to allow debate on policy options and the evaluation of the effectiveness of measures taken. A similar point is made in our report.

The authors also say that there is a desperate need for a more reliable series of measures of Scottish education and training performance, which can be compared with other countries where possible. They say that if those data were available, it would be easier to identify priorities and to decide between competing claims for resources. Budgets are always constrained. In order to prioritise effectively, we must have the necessary data.

Let me give a couple of examples. In the Social Inclusion, Housing and Voluntary Sector Committee on Monday, we took evidence from Dr Charles Lind, the associate medical director of Ayrshire and Arran Primary Care NHS Trust. He spoke about the inadequacy of the indices on rural deprivation. He said that, in Ayrshire and Arran, in Fife, in Lanarkshire and in parts of the Highlands, there are many communities that are far away from centrally based services, that were once reliant on heavy industry that no longer exists, and where the social infrastructure has collapsed. Yet indices such as Carstairs and Townsend are

inadequate. They use ownership of a car as one measure for deprivation, but in those remote areas a car is an absolute necessity—even if it is not always taxed, insured and MOTed. As Dr Lind said, it can take three or four bus trips just to get to the neighbouring leisure centre. However, those are indices on which the Scottish Executive and our health boards rely, and on which the Arbutnott report relied. They are unreliable and inadequate, and they lead to a distortion of resource allocation.

Another example comes from an area in which I take an interest—drug and alcohol misuse. At present, each local authority uses different recording systems for alcohol and drug misuse. That means that we have no reliable idea of the scale and nature of the problem. There is therefore uncertainty about the level of service need. In both those areas—and they are just two of many examples—we need far more reliable data in order for policy making and budget decision making to be soundly based.

Another example is that of local government finance. The report refers to the formulae that are used to distribute local government financial support. The formulae are clearly inadequate, which has been recognised by the minister. I know that there is a committee formed from the Executive and the Convention of Scottish Local Authorities that is looking into the formulae, and, of course, the Local Government Committee is carrying out its own review of local government finance. That is another example of where there is a distortion of resource allocation that has caused serious problems this year. I hope that it will be effectively addressed before next year's settlement, even if only, as the minister has said, in a patch-up way.

We are working too much in the dark or in the shadows. For scrutiny to be effective and for consultation to be meaningful, we need a radically improved budget book. We also need much more reliable information in certain areas than we currently have. Only then can the Finance Committee, this Parliament and the Scottish Executive be certain that they are prioritising in the right way and that money is being spent where it is most needed.

15:29

The Minister for Finance (Mr Jack McConnell): I thank Mr Raffan, Mr Watson and the other members of the committee for their contributions. I see that one of the other members was so interested in the report that he has not even waited to hear my response.

Ms Sandra White (Glasgow) (SNP): On a point of order. Mr Wilson is filming at the moment and

has tendered his apologies to the chair.

The Presiding Officer: Members' first duty is to be in the chamber to participate in the debate, particularly when they have attacked the minister who is responding. Television interviews must take second place. I hope that that is clear to all members, whether they are in the Executive or not.

Mr McConnell: I have no intention of responding to the partisan and personal comments that have been made in two speeches, but some people should learn to listen as they ask others to listen.

We can learn a lot for future years from the useful cross-party process that has taken place. Today's debate marks the completion of what is currently called stage 1, but which we should perhaps call phase 1, of the budget process: the consideration by parliamentary committees of the Executive's annual expenditure report. That report is for the use not only of parliamentary committees but of the general public, academics and other interested parties.

The Executive produces the document, which has changed since previous years, to get strategic feedback on the allocation of resources and to answer the big questions, such as whether our priorities of education and health are the right or only priorities or whether money should be allocated differently. The report shows that we spend roughly a third of our resources on local government, a third on health and a third on other departments. It sets out proposals that will improve the life of every Scot.

The document shows that the health budget will increase next year by more than £300 million—or more than £200 million in real terms. It sets out a cash increase of £170 million in central Government, education and enterprise budgets. It also sets out how an extra £20 million in the transport budget will make a real difference for motorways and trunk roads. The plans show real increases to deal with real problems here in Scotland. The expenditure report demonstrates the commitment of the Executive and of the coalition parties to deal with the issues that matter, and backs up that commitment with funding.

I am pleased to be able to announce before the end of the parliamentary year, rather than over the summer recess, the money that has been made available, in agreement with the Treasury, in the end-of-year balances from 1999-2000. That money has been generated by prudent and efficient management and will benefit the Scottish budget in this financial year to the tune of £435 million. About a third of that money relates to slippage in capital programmes and will be directly allocated to those programmes. For the first time,

the capital programme of the local authorities of Scotland will retain all 100 per cent of the end-of-year balance into this financial year.

The move away from annual budgets will be warmly welcomed by local authorities throughout Scotland. It will also allow departments to keep three quarters of the money they underspent in the previous financial year—an incentive for prudent management in the future. Some of the additional resources—apart from a reserve of £35 million—will be allocated to key priorities that did not receive any consequentials from the chancellor's announcement in March. There is extra money for rough sleepers and for further education colleges, as Wendy Alexander and Henry McLeish have already announced. There will also be an additional £11 million for agriculture and forestry, £5.5 million for the environment, and more money for Historic Scotland and the Crown Office.

Dorothy-Grace Elder: Will the minister give way?

Mr McConnell: I may accept interventions later.

Those are important announcements and today's discussion should take place in the context of a process that is about deciding how those record levels of spending should be allocated.

The Finance Committee's report follows on from a process that was an important part of opening up our decision making. This afternoon's debate may not be the same, but I understand that discussion of the report was conducted on a genuine all-party basis. It is important that the report has been published. In this first year, it is also important to concentrate on the presentation and content of the document rather than on the financial choices that face us. I hope that, in future years, that process will lead us to have real choices and debates about the proposals for financing Scotland's public services and how they can be improved in years to come. That debate should take place not later in the year when decisions have almost been finalised, but at the beginning of the financial year.

I have already responded to the main recommendations, although many of them should be reconsidered by the review that I proposed to the committee and that the committee has suggested should take place in the autumn. I propose that the review should also consider the financial information that is available to this chamber all year round, not just at stage 1 of the budget process.

Mr Swinney: The minister is commenting on the review that he has called for with the Finance Committee. That is very welcome, but we in the Finance Committee find it a bit wearing to have to keep advancing the same old arguments to the minister. The minister says in his response that he

is sympathetic to recommendation 12 but thinks that it would be sensible to consider it as part of the review. How many times does the Finance Committee have to ask for figures to be given in real terms, in a dispassionate fashion, in published documents, before the minister implements what the committee wants?

Mr McConnell: The recommendation does not suggest that the figures should be produced in real terms; it suggests a particular location for the figures in tables on one page of the document and in the other chapters. I suggest—the Finance Committee should, perhaps, take this on board as all members of the Parliament may want to comment on the presentation of real-terms figures—that there is an absolute joint commitment by the Executive and the members of this Parliament to publish real-terms figures.

It is clear that many committees, including the Finance Committee, felt that the figures were not published in the right place in this year's document, but they were there. It is important that, in the review, we discuss where best to place them in future. The committee's proposal may be the best suggestion, but it is vital that in this document and the many others we prepare for members of the Parliament throughout the year, information is in the right place and at the right time, to ensure that the Parliament's discussions are as full as possible.

Mr Swinney: Will the minister give way?

Mr McConnell: I have already answered the member's question.

The review is very important.

Dorothy-Grace Elder: Will the minister give way?

Mr McConnell: Most of the main recommendations will be covered in the review and I have addressed all the remaining recommendations in my written response.

I want to say one or two things about the place of the annual expenditure report in a year-round programme of information and debate. It is not necessarily the case that all the financial information Parliament requires, in committees and in meetings of the Parliament, should be in one document that is produced every spring. Some of the information to which Mr Raffan referred—on drugs and cross-cutting expenditure—could be included in the annual expenditure report, but it could be included in other documents that the Executive publishes throughout the year. That might be more useful to members. A review is important because there are many different ways of achieving what we want. One size fits all is not necessarily the best solution to the problems that we have faced over the past

two months.

Mr Raffan: I do not understand why there is such concern about the size of the budget book. The crucial thing is that it should have a table of contents and be properly indexed. All the information should be in one place. If it is spread out over a range of documents, it will take much longer to access. Nobody will read through the annual expenditure report from beginning to end. Instead, they will access specific information that it contains.

Mr McConnell: I agree—and I did not mention the size of the document. I think that it could contain more information. I hope that we can agree the best way of providing it in future years. It is important that the Parliament and the Executive discuss the provision of information throughout the year, to back up this debate. The Parliament's input into the Executive's budget considerations will not simply be made in a two-month period in the spring of each year around one document; it will be made all year round. It may culminate at this point in the financial year and later, when we come to consider the budget bill, but it is important that we ensure that throughout the year, at the right times, the right information is being made available. The Executive's commitment to doing that is absolute and beyond question. It is important that we put that clearly on the record in the review.

There are also recommendations—

Dorothy-Grace Elder: The minister promised to give way—

The Deputy Presiding Officer (Patricia Ferguson): I have not recognised the member. Sit down, please. It is entirely up to the minister to indicate whether he wishes to take an intervention. He is not doing so at the moment.

Mr McConnell: I will come back to the member after I have finished this section of my speech.

It is important that some of the presentation aspects are recognised. For example, the clarity with which we present information about end-year flexibility and the use of balances is important to ensure maximum transparency. I will be very happy to examine that and to ensure that the real-terms figures are properly described not only in this document but in other documents throughout the year. I think that some of the figures in "Investing in You" are accurate. I do not accept Mr Raffan's suggestion that they are not robust. They are robust, although they might not be as clear as the committees would have liked. I hope that, together, we can improve the presentation in future years.

Mr Davidson: Will Mr McConnell give way?

Mr McConnell: No.

It is also important—this is perhaps a job jointly for the Finance Committee, the Minister for Finance and finance officials—that we ensure that when the committees examine this matter in detail, they are able to take a strategic overview. That relates to performance targets and the other issues that have been raised by the committee. I am happy to take those points on board and to consider them as part of the review.

Dorothy-Grace Elder: Mr McConnell is normally very good at giving way, but he has been a bit naughty today. I am worried about the transparency of what he is saying overall, because we are still not getting certain figures. I have received half answers today about the cost of the Executive's so-called special advisers and spin-doctors. I have found out that they have been given a pay rise of 2.9 per cent. The cost of their wages is around £500,000, but we still do not know the cost of all their departments.

There is also another lot—the department of external relations. I am not sure whom it externally relates with, but it is costing us almost £500,000 as well. When that amount of money is invested in spin, one gets suspicious and wants to know the full cost of such departments and how much taxpayers are having to pay for them—perhaps more than £1 million for all we know.

Mr McConnell: Members will see why I was reluctant to give way.

The department of external relations promotes Scotland's links across Europe and develops our links with the Westminster Parliament in a way that is vital for the successful functioning of this Parliament. The people in that department work very hard on behalf of this country. They should get our praise and should not be denigrated in that way. When the budget process gets into that kind of detail at this stage in the year, it fails the people of Scotland. The purpose of the budget process is to have a genuine debate about strategic priorities, not to make cheap political points, either in the chamber or in any of the committees.

It is important that we get the written agreements right. I thank Mr Watson and Mr Welsh for the roles that they have played in putting together the important written agreements that we have in front of us today. The Executive fully supports the agreements as they are laid out.

I will briefly mention the spending review for the next three financial years, on which we are currently embarked. We are involved in a spending review that will follow on from—although it is independent from—the spending review that is taking place in the UK Cabinet. We expect the Chancellor of the Exchequer to make announcements in July about his spending decisions for the next three financial years. We will

receive the pound for pound consequentials of that in due course.

The Executive has recognised the fact that the Parliament will not meet in July, so it will not be possible to make an immediate statement to Parliament on the outcome of that process for Scotland. We will not make decisions or announce decisions on consequentials until after the parliamentary recess. We will do so at the introduction of phase 2 of the budget process in late September or early October. We will do that clearly—hopefully with improved documentation—to the Parliament at that time.

In making those decisions, we must take into account the long-term priorities of the Executive and the Parliament. One of them, which was mentioned by the convener of the Finance Committee, is equality of opportunity across Scotland. I hope that in the coming weeks we will be able to respond to that recommendation from the Finance Committee; I hope that members will understand if we have to do that during the parliamentary recess as we work behind the scenes on the spending review. We have been in discussions with Engender and the Equal Opportunities Commission with a view to taking forward the process of assessing budgets from the perspective of men and women, boys and girls.

The underlying nature of the exercise is about listening and learning. That was important in the chamber, in the committees and across Scotland. I found the four meetings that I had useful and interesting. The comments that people made about the priorities of the Executive—education and health, among others—and about other services that they felt were under pressure were genuinely helpful and we will take them into account in the weeks ahead. We have given the budget process an encouraging foundation and we can build on that in future years.

I am dismayed that this afternoon has become politically partisan. I do not believe that any of the ministers who attended committees in recent months abused their positions to make party political statements. They argued the case for the budget in an honest way. While I might not enjoy all of the language of the report, I believe that the members of the committee put the report together on an all-party basis and they are to be congratulated on that.

However, it is not acceptable that this debate should be used for party political ends. The extremes of language that have been used by members of Opposition parties that have at no time in the past three months proposed an alternative budget plan to the chamber are unacceptable. I used to sit in the Stirling District Council chamber with Keith Harding. Every year, the Conservative group would put an alternative

budget to the vote in opposition to the Labour budget. However, in the past 12 months, neither the SNP nor the Conservatives have produced an alternative spending proposal. That is unfortunate.

Andrew Wilson *rose*—

Mr McConnell: I had not intended to make those points this afternoon and I do not intend to take interventions from somebody who has not heard the whole of my speech.

It is important that this is a back-bench debate. It is important that it is an all-party debate. It is important that the back-bench speeches have not been organised from the front bench—it was earlier hinted that they had been. We have to use this process for the benefit of Scotland and ensure that it is not abused by the political parties. We should act for the people, not in the name of the parties against the people.

15:47

Mr Adam Ingram (South of Scotland) (SNP): I am a member of the Finance Committee and I hope that my remarks will be appreciated by the minister. If they are not, that will be too bad.

Since time immemorial, it seems that those outside the Government with an interest in Scotland's public finances have laboured long and hard to penetrate the traditional opaqueness of documentation that purports to account for the Government's expenditure. As an economist, I hoped that if the Scottish Parliament did nothing else, it would make the public accounts more transparent and a shade more comprehensible to those of us who ply our trade neither within the bowels of the civil service nor in the groves of academe. After reading the Finance Committee's report and the reports of the subject committees, the minister will be aware that his annual expenditure report "Investing in You" has failed to meet those hopes and aspirations.

The complaints of Parliament's committees have been echoed across civic Scotland. Ministers should take on board the fact that the criticism is not partisan. The recent response from Shelter Scotland to "Investing in You" says that for a number of years Shelter has found "Serving Scotland's Needs", the predecessor to "Investing in You", fairly unhelpful. The response goes on to say that "Serving Scotland's Needs" was difficult for Shelter to use and almost impossible for a member of the public and that "Investing in You" perpetuates the problem.

It is nigh on impossible to trace changes in Government expenditure in this document. Significant changes to budgets and their headings are made with little or no explanation. The exclusion of real-terms figures has been

highlighted in Parliament before. It is impossible to assess the impact of budget movements over a period without considering inflation. That fact was acknowledged in "Serving Scotland's Needs" and the real-terms figures at level 1 were included. Why did that go in "Investing in You"?

Mr McConnell: I am sorry that I did not get this point across more clearly earlier. Those figures are included throughout "Investing in You". In the view of the Finance Committee, the figures may not be in the right place. I would be happy to reconsider that issue. I may even come up with a better suggestion than the committee's if we discuss it for long enough, but the fact is that those figures are in the document and it is wrong to say otherwise.

Mr Ingram: The level 1 figures are not in the document. "Serving Scotland's Needs" includes a comprehensive table of level 1 figures from the outset, in cash and real terms. Essentially, that is required throughout "Investing in You", as the minister knows perfectly well. The reader cannot interpret changes without wasting time and resorting to arithmetic in gross domestic product deflators. The document conveys the impression that the Executive wants to make it difficult for people to compare the figures between years.

As far as the consequences of Executive spending are concerned, the document is good at being aspirational. In the style of this Executive, it talks a good game, setting objectives with high hopes of what can be squeezed out of declining budgets, but it does not reveal details of the targets that were set in the previous year, let alone the performance against those targets. Those of us who are responsible for scrutinising and responding constructively to the Executive's plans do so without visible benchmarks. If the Executive wants "Investing in You" to meet its stated aim of being

"a package of information to allow the Parliamentary Committees and other interested parties to begin to understand and scrutinise our expenditure plans",

changes must be made. I hear what the minister has said this afternoon, but the proof of the pudding will be in the eating. In future, the budget document must provide such explanation as would make budget headings traceable and comparable from year to year. It must examine performance in relation to the targets that have been set by the Executive and it should explain where Scotland gets its funding from.

I now come to criticisms from individual committees, specifically from the Local Government Committee, which is undertaking a review of council finance. Councils speak with one voice on self-financing pay awards. Moreover, both the Local Government Committee and the Finance Committee agree that we cannot continue

to take money from councils just because the Government refuses to accept that public sector pay rises must take account of inflation. The Minister for Finance has claimed that freezing the money that is available for pay will lead to efficiency savings. If we accept that premise, does the minister expect us to accept that higher inflation rates will lead to a quicker drive to efficiency? To paraphrase Rosemary McKenna, the former president of the Convention of Scottish Local Authorities, that is the politics of the madhouse.

The Executive must make Scotland's accounts transparent—they are far from transparent now—and the Minister for Finance must assure us that the farce of self-financing pay awards and the consequent job cuts at the local level will be ended.

15:53

Mary Scanlon (Highlands and Islands) (Con):

The budget process has certainly been an enlightening experience for the Health and Community Care Committee—enlightening in the sense that the more questions we asked, the more confusing it became. I welcome this opportunity to unravel the information that is available, to help to understand the data and to have a reasoned input into future decisions on the allocation of resources in the national health service.

I also welcome Lord Watson's recognition of the constructive points that have been raised by MSPs and the minister. The Scottish Parliament gives us the opportunity to scrutinise such information on the budget process rather than accept the way it has aye been done. Given the task, I would not expect the process to be perfect by next year; none the less, I expect significant improvements to be made.

I shall speak about "Investing in You" in relation to health matters. We should begin by stating the five strategic aims and the three clinical priorities; only after they have been stated can we start to track resources to ensure that they are being directed to meet our aims and priorities.

There is no system of tracking money to clinical targets, which are currently cancer, heart disease and mental health. We need a system whereby ministers can state clinical priorities and we can ensure that money is routed to them. We then need a national financial framework so that we can see how spending is split to address the aims and priorities.

The main concerns are the serious lack of transparency in health and community care spend. Given the responsibility of councils for care in the community, we must ensure that they receive adequate resources and that those resources are

spent on care in the community.

I cannot speak for members of the Health and Community Care Committee, but there seems to be consensus in that committee that resources should be shifted in the budget to put greater emphasis on preventive care and that there is a need to take a longer-term view. We need clear and concise data to ensure that that shift of resources can take place. That is not possible with the current information—that view was confirmed by the director of finance of the health department

The health improvement plans and the trust improvement plans are the chalkface of addressing resources to the practical issues. HIPS and TIPS set out targets and objectives for five years, based mainly on “Priorities and Planning Guidance for the NHS in Scotland”, which is two years old. The Executive sets out aims and objectives annually—not to mention additional announcements throughout the year in response to various crises and initiatives. In other words, we have an annual budget here, but we expect our health boards and trusts to have five-year and seven-year budgets. Those budgets have to come in line with each other.

Sixteen objectives are listed in “Investing in You”, most of which apply until 2002. None of them is costed or tied with sufficient clarity into the published strategy documents. I would like documents to be integrated with spending plans. We could then have a much more meaningful input. We have received confusing evidence on some initiatives, such as walk-in, walk-out hospitals. We need to be satisfied that there are proven benefits for patients before we grant additional resources.

The Deputy Presiding Officer: Please wind up.

Mary Scanlon: It would be helpful to understand the revenue implications of the agenda for modernising the health service, particularly if a new service is to be introduced before an old one is discontinued, as undoubtedly significant financial implications arise from that.

The well-informed readers of the budget document who gave evidence to the Health and Community Care Committee expressed concern about the difficulty of interpreting figures. If people who are medical directors and directors of public health experience difficulty, how can we expect Joe Average to understand the information?

Finally, I will refer to a point that Pat Dawson raised about the inclusion in the 2001-02 budget of £15 million for demonstration projects. Written clarification from the Executive showed that that funding was £5 million a year over three years rather than £15 million in one year.

Once we have addressed all the issues that I

have raised, considerable improvements can be made.

15:59

Malcolm Chisholm (Edinburgh North and Leith) (Lab): Like Mary Scanlon, I will speak as a member of the Health and Community Care Committee. I recommend that everybody read pages 65 to 87 of volume 1 of the Finance Committee report. If members do not have time to do that, they can read the summary on pages 83 and 84.

Clearly, we are mainly concerned today with the budget process. However, as I am speaking about health, it is appropriate that I deal with the general points about health expenditure that were made by Andrew Wilson. In my intervention, I said that when he referred to bigger health expenditure increases, he was talking about isolated years during the past two decades, which he found with some difficulty. He could not answer my point that he would not be able to find a five-year period in which there was an average increase in the health budget of more than 5 per cent in real terms.

Andrew Wilson also made the point that 7.3 per cent was an incorrect figure. As I used that figure during a television interview an hour ago, I should point out that that is the correct figure, once the end-year flexibility has been stripped out. That illustrates the point made by the Finance Committee on page 2 of its report, that “Investing in You” or its equivalent should make clear the carry-forward of underspend. There is some confusion in the document as to whether underspend is included in the total. However, that is what the debate is all about—how we can present the information in a more transparent way, so that MSPs and the public can understand more precisely what money is being spent on.

That leads me to the issue of the budget process. As someone who is used to the discussion of budgets at Westminster, I must say that we are light years ahead of that place in considering in detail the way in which the Executive budget is spent.

Andrew Wilson: I repeat that the underspend cannot apply to the figure to which Malcolm Chisholm refers, because the year is still to come. Jack McConnell referred specifically to the next financial year. The point is that it was not a 7.3 per cent increase, but 4.3 per cent increase. He has misled people, and the attempt to spin those figures by using last year’s numbers merely proves my point.

Malcolm Chisholm: I do not know what Jack McConnell was referring to, but I was talking about a 7.3 per cent real-terms increase from last year to this year.

The section on health on page 83 of the report states:

"The framework for financial information inherited from Westminster and the Scottish Office is clearly not appropriate for a modern Scotland".

The Finance Committee also makes that point when it says that the main requirement is clear information and robust figures. I am sure that the Executive will take those points on board as it develops an equivalent document for next year.

Mary Scanlon has referred to the Health and Community Care Committee's concern about the need for strategic aims and clinical priorities to be better flagged up in the health section, so I will not repeat that. One of our main concerns—in general terms, this would also apply to local government—is the fact that so much of the health budget is spent locally: about £4 billion is spent by health boards. One of our main sources of dissatisfaction is that we did not have disaggregated data for local health spending.

Mr McConnell: The member might be interested to know that the statement that was referred to a moment ago was made on 30 March. I take that from Mr Wilson's own press release from yesterday. Therefore, the phrase "next year" relates to April 2000 to March 2001. The point that Mr Chisholm was making is that the 7.3 per cent increase was from last year to this year.

Malcolm Chisholm: Mr McConnell and I were making exactly the same point.

The Health and Community Care Committee was one of the few committees to make specific recommendations on shifts of expenditure. They were relatively minor in the scheme of things, but that innovation might become more common in years ahead because of the greater power-sharing approach that is taken in the Scottish Parliament. I commend our recommendation that mental illness specific grant should be increased annually, rather than frozen as it has been for the past few years.

Finally, I commend the recommendation of the Finance Committee that future budgets should deal with the impact on men and women. We have begun the debate on "engendering" budgets, which is an important part of mainstreaming, and I hope that that will be developed next year.

16:03

Donald Gorrie (Central Scotland) (LD): I would like to start from Malcolm Chisholm's point about the comparison between our efforts and those of Westminster, which, over many centuries, has totally failed to control the Government's budget. I am advised that the last occasion on which Parliament deleted an item from the Westminster budget was in 1919; that item was an additional

bathroom for the Lord Chancellor. I must plead guilty to the charge that, as an MP since 1997, I failed to oppose the new wallpaper for the current Lord Chancellor. That perhaps illustrates a decline in the quality at Westminster.

We are trying hard in a new activity. The Minister for Finance has a long way to go, but has made a serious attempt for which he deserves credit. We are in the position of having formed a new football team, played in a new competition and having been thoroughly beaten. There is no disgrace in that, as long as the team learns from its experience.

The Executive deserves genuine credit for trying to be more open, and Mike Watson's committee deserves great credit. Its report is an admirable example of constructive criticism, which is something on which I pride myself and which I recognise when I see it. The report is very good, and I commend the Finance Committee.

We have a long way to go with regard to control and scrutiny, but the report and today's debate are a significant step forward. Transparent budgeting means grown-up government by ministers and civil servants—I am often inclined to criticise the Executive and the civil servants for not always being as transparent and grown up as they might be.

It is also a question of grown-up opposition. If I may say so in a non-patronising tone—if I am capable of that—lessons have to be learned about how to have a constructive Opposition. If the Executive is really open and says, "The position on prisons is this," or "The expenditure is that," or "To make any process, we've got to close these three prisons, which are in the wrong place," it is discouraged from doing so next time if all hell is kicked out of it, with people saying, "You can never close any prisons, because some people might lose their jobs."

In dealing with our finance, we are not as bad as Westminster at what I call the repetitive announcement syndrome. However, we are inclined in that direction. It is bad and confusing if the same money is recycled in various announcements. I hope that the Executive will learn from the criticisms that have been made about that in the past.

The Finance Committee report was quite enthusiastic about targets. I am in favour of targets on occasion, but there is a risk of targets becoming a straitjacket if they stop professionals exercising their own judgment. The best example of that is unfortunately from Westminster: I am assured that a minister produced a minute on how many sheets of photocopying paper a museum could use. Such targets are ridiculous.

The Local Government Committee pressed hard

for the problems of local government to be addressed, but we did not suggest new money, because we did not understand the whole system—that has to be better explained to us. The issue of the pay increases and the position of local government after years and years of cuts must be addressed seriously.

The voluntary sector has been mentioned specifically. I hope that the Executive will find money for it as well as for sorting out local government, which I know Mr McConnell is trying to do.

This is a difficult problem: information is power, and, throughout history, people have tried to keep information because that gives them power. Information about spending is the ultimate power, and we will have an interesting discussion in the future to get it right. We have, however, made a step in the right direction.

16:08

Fiona Hyslop (Lothians) (SNP): I praise the work of the Finance Committee. I am sure that the chamber agrees that the scrutinising of that area of work of the Government is a Herculean task, and that deciphering Government spending plans is a full-time job. We can see that from the report before us.

When the Social Inclusion, Housing and Voluntary Sector Committee, of which I am a member, examined the budget report, we had specific criticisms both of the presentation of the report and of the general lack of transparency and accountability within the whole budgeting process. We found, however, that the Minister for Communities was very willing to share information when she came to give evidence.

That criticism of a lack of transparency is apparent in subsequent reporting of the Finance Committee's report. We need openness, honesty and financial transparency. Under the current regime, ministers are able to pull financial rabbits out of hats, by using the twin strategy of recycling and reallocation. I could give Donald Gorrie 16 examples of such recycling here and now.

I will now address some cases relating to the committee's evidence, and I will comment on some of the points that the minister made.

Let us consider the example of Glasgow. On day one of the Parliament's stay there, the Minister for Communities reannounced £12.5 million that had been allocated by her predecessor to Glasgow City Council. When she was found out, she tried to say that the matter had been all blown out of proportion. However, all the journalists who were covering the story were under the impression that it was new money.

The second example concerns reallocation. On the last day of the Parliament's stay in Glasgow, the Minister for Communities announced a further £12.5 million for homelessness and rough sleeping projects. However, although the announcement of new money was technically correct, it was reallocated from existing budgets. It was left to the Opposition to find out from the Executive where that money had been allocated from. That information was not presented to us, and the minister's comments today still do not clarify details of the underspend, such as where it came from and why it appeared, or where it will appear now and in future.

The Social Inclusion, Housing and Voluntary Sector Committee made specific reference to that practice in its report on "Investing in You", when it recommended that budgets should differentiate clearly between allocated and non-allocated resources. That recommendation was somewhat prescient, as it came a week before the Minister for Communities made her reallocation announcement.

The Social Inclusion, Housing and Voluntary Sector Committee report also recommended current baselines against targets. Although we have heard comments about a review, end-year flexibility and a continuous process, we also need to track change, which is a strong criticism.

Either we have announcements that are open and allocations that are transparent or we do not. If the Government wishes to come before the chamber to say that, after objectively examining comparative models of government, it has decided that the Westminster model is best, let it say so.

The minister mentioned strategic allocations, and I want to talk about one specific strategic allocation—capital expenditure. There are larger issues than recycling and reallocation. Huge private finance initiative projects are being undertaken in the areas of health and education. Scotland is the UK guinea pig for new PFI projects: next year, 43 per cent of all PFI projects will be in Scotland, and 34 per cent of all capital spending in Scotland will be privately financed.

Over the past year, I have tried wherever possible to suggest to the Minister for Finance and his colleagues that there might be a better way. I have outlined several proposals such as resource accounting and budgeting, arm's-length companies and relaxing certain borrowing requirements. Each time I have had the same response: TINA, or "There is no alternative." The Minister for Finance tells us that we must abide by certain rules; however, he has not told us how much he is prepared to argue for a change to the rules. Will he tell us now how much he will change the rules and challenge the system, to ensure that we can do things differently in Scotland compared

to Westminster? Is he prepared to acknowledge that public opinion is clearly against the PFI and to challenge the Treasury on that issue? Or will he simply tell us that it is a reserved matter?

Any debate on the future of public finance must be about transparency, where the arguments are clearly expressed. However, such a debate cannot happen while the Executive and the Minister for Finance continue the TINA principle, that "There is no alternative." There are alternatives, and we must explore capital expenditure issues and other opportunities open to the Parliament. Sooner or later, the Executive will have to wake up to that.

In the light of those remarks, I am happy to support the Finance Committee report.

16:13

Rhoda Grant (Highlands and Islands) (Lab): I welcome the opportunity to reflect on the experience of the first budgeting process. Although many comments this afternoon appear to be critical of the process and the consultation, we should bear in mind the fact that—as the Finance Committee has acknowledged and welcomed—this is a first. Such a process has never happened before, and the committee feels that it should be built on and improved. That does not detract from the fact that this exercise is a huge step forward. We would have been very naïve to expect the process to have been perfect; it is a starting point on which we must build.

I welcome the consultation process. The report was made widely available and the Minister for Finance also held a series of public meetings. It is extremely important for lay people to be involved and for ordinary citizens to be able to participate in the process. For too long, Government finance has been seen as the closely guarded secret of financial anoraks. It has been widely acknowledged that "Investing in You" is much more accessible than previous departmental reports. The committee acknowledged that much is to be welcomed. Although such comments do not make headlines, that does not mean that they should be ignored. If we want the Parliament to work, we must continue to learn from experience and improve where we can.

I would like future budget consultations to be more widely accessible. By that, I do not necessarily mean that more copies of the document should be available, but I mean that the document should be clear and understandable to everyone.

Some points that the Finance Committee highlighted could be fixed easily, as they concern mainly the layout and indexing of the document. Such improvements would make the document much more accessible. The wording of the

document should make sense to everyone and should avoid the use of jargon, which creates barriers.

Improving the budget process is not a one-off exercise, and I am sure that it will take some years to get the process right. Getting the process right is about not just making the document useful and accessible, but encouraging people to read it and to question its content.

The timing of the budget process does not sit easily with the UK budget statement. Some moneys from the UK budget statement were included in "Investing in You" while others were not, and that led to confusion. In future, we might have to decide whether moneys from the Exchequer should be included in "Investing in You". If they were left out, "Investing in You" would already be out of date on publication, but incorporating only some of them leads to confusion. We might need to reconsider the timing of the budget process, or to add another stage to deal with the UK budget statement.

Many committees pointed out the willingness of the Executive to provide civil servants to guide the committees through the budget process, answer questions and provide additional information. That showed a willingness to improve the process. Hindsight is a wonderful thing. Things can be improved, and this new Parliament and its structures will enable that improvement to happen.

There are issues that need to be addressed. There are no simple answers, but solutions will be easier to find now that we have completed stage 1 of the budget process. I welcome this innovative process, which has provided a basis that we can build upon.

16:16

Mr Keith Harding (Mid Scotland and Fife) (Con): I, too, commend the Finance Committee on an excellent report.

Members of the Local Government Committee considered the budget and took evidence at four meetings. The committee's report states that

"most members of the Committee found the material submitted to the meeting, and the presentation made by the officials confusing and difficult to follow. The Committee believes that this is because the system itself is arguably too complex, and, at least on the basis of the evidence heard, reliant on overly sophisticated and complex indicators which fail to aid understanding by non specialists."

"Investing in You" was a genuine attempt to widen debate and extend consultation, and I hope that many useful lessons have been learned. However, it is apparent that the document did not realise its full expectations.

Local government finance is too complicated and inhibits proper debate, with the minister saying one thing and the Convention of Scottish Local Authorities saying another. "Investing in You" makes it difficult to calculate the finances of Government departments, and the possibility exists that the figures might disguise real-terms cuts in expenditure.

The minister says that expenditure is increasing, but although grant-aided expenditure is moving up slightly above inflation, aggregate external finance is not, so Government support for local government has reduced. The end result is council tax increases that are well above the rate of inflation—for example, an increase of 10 per cent in Stirling—and, whether the minister acknowledges it or not, real cuts in front-line services.

The minister states continually that expenditure on local government is increasing, but it has fallen—as a proportion of the Scottish block—from 40 per cent in 1996-97, when the Conservatives were in control, to 36 per cent now. The minister has not allowed properly for new burdens in the spending figures, some of which have to be funded from current spending. On top of that, many resources are ring-fenced for Government priorities. That means that the Government claims credit for its commitments and spending initiatives, but does not fund them in full. Those commitments and spending initiatives are paid for by cuts in other local government services, especially road and pavement repairs, for which the Scottish Executive then blames the council.

Several members have mentioned the fact that, yet again, the minister has made no provision in his budget for local government pay increases. That means further cuts or council tax increases, and is unsustainable in the longer term.

I agree with the minister that further efficiency savings are achievable in councils, but they cannot be made unless there is a major culture change in approach and outlook. Any savings that are achieved should then be ploughed back into new services.

Local government capital spending is less than half what it was under the Conservatives in 1995-96, and will not improve to 50 per cent even under the furthest projection of the Government's spending plans. That is building up a legacy of neglect in the maintenance of school buildings and roads that the minister appears to be refusing to recognise. In opposition, Labour and the Liberal Democrats claimed that the Conservatives created that legacy, but the Executive is making matters even worse. The costs of implementing the recommendations of the McCrone, Kerley and McIntosh reports will have to be addressed in the forthcoming settlements and there is concern in

councils about how any recommendations that are adopted will be funded.

The Conservatives fully support and endorse the findings and recommendations of the Finance Committee's report. We look forward to more informed debate and to adequate time being allocated to ensure proper committee scrutiny of the budget process.

16:20

Mr John McAllion (Dundee East) (Lab): We have had an excellent debate and I thank God that I have lived for long enough to hear an ex-Tory and current Liberal—Keith Raffan—quoting Chairman Mao with fervour. Keith started moving left some years ago—one cannot get much further left than Chairman Mao, so I hope that Keith will get there eventually.

I welcome the Finance Committee's report and recommendations. I also welcome the process by which Parliament is beginning to shape the budget for which it is ultimately responsible. As Malcolm Chisholm and others have said, the process is innovatory and it represents a massive improvement in the quality of democracy in Scotland compared with what existed under the old Westminster system.

Above all, I welcome the fact that we are spending £17 billion of public money—raised from taxes—on public services. To spend on public services is to redistribute wealth from the haves to the have-nots. It is a good socialist thing to do. If I have a regret about the budget, it is that we are not spending more and that we are not, as a society, raising more in taxes—especially from the rich. A Parliament that talks about social justice while preaching a philosophy of low taxes and limits on public spending cheats itself and the Scottish people. As Fiona Hyslop said, the debate about how we fund public services in future must be had in Parliament.

An element of the process that is of great value is the requirement for some honesty about taxes and spend. The process requires what Donald Gorrie referred to as constructive opposition. No party in this Parliament can pretend that it will meet every demand for increases in public spending while not increasing taxes.

The minister urged members not to be partisan or party political in their speeches, but to prove that he has not organised this back-bench speech, I will be partisan for a few minutes. It has always amazed me that SNP members respond to almost every public demand by saying yes. They say, "Yes, we will build with public money every road and every rail link that anybody anywhere in Scotland asks for." They say, "Yes, we will spend billions of extra pounds on the national health

service. Yes, we will spend billions on local government services and public sector pay increases. Yes, we will cut fuel duty and the resources that it brings.”

It is a shame that Kenny MacAskill is not present—he is especially good at that sort of thing. He reminds me of a television advertisement for Burger King from some years ago, in which every customer who walked through the door was met with the promise, “You want it—you’ve got it.” That just about sums up the spending side of SNP politics, except for the fact that—unlike Burger King—SNP members cannot deliver on their promises because they will not vote for the taxes that would raise the resources that would enable them to do so.

It is fundamental that anybody who commits to expenditure must say how that expenditure will be funded. What is good about the process that we are going through at the moment is that it opens up the argument and makes it understandable and transparent to the Scottish people.

I disagree with Andrew Wilson’s comments on the Barnett formula, which he described as “unsustainable” and as an

“essentially broken . . . absurdity . . . designed for . . . a unitary state.”

I disagree with that on two grounds. First, Scotland does well out of the Barnett formula, and if members do not agree, they should ask anybody from any party in England whether it does.

Secondly—and more important—Andrew Wilson’s argument ignores the fact that the Parliament has a tax-varying power, which was designed to allow Parliament to spend more on public services if it chooses to do that. One might argue that a 3p increase in the basic rate of income tax is inadequate, but we should agree to use it and test it before we agree to write it off as meaningless. I remind members that, as the minister pointed out, no party has lodged a motion suggesting that we use the tax-varying power. Until we do so, we need to show a degree of humility.

My time is up, so I will finish on this point, and perhaps whoever winds up the debate can refer to it. Where in the budget are the resources that would allow the committees of this Parliament to initiate legislation that has expenditure implications? As I understand it, committees have the right to initiate legislation. Any laws that they pass might have expenditure implications, so under which head of the budget would that money come, to allow the committees to use that power?

The Deputy Presiding Officer (Mr George Reid): Finally, I call Brian Adam. It would be helpful if he could keep his speech to three

minutes.

16:25

Brian Adam (North-East Scotland) (SNP): In response to John McAllion, and to some extent Jack McConnell, on the issue of producing alternative budgets and costings, any alternative to the budget bill that we produced in the early stages of this Parliament was constrained by what the Executive put before Parliament. All that we were able to do was rearrange the deckchairs. That is not the most attractive offer that has been made by Jack McConnell or John McAllion in the year in which the Parliament has existed.

On Mr McConnell’s and Mr Harding’s experience in local government, it was undoubtedly much easier to construct alternative budgets in those circumstances because the facts and figures were available, and we did not have to look with mirrors or dig around to find out the facts.

I do not want to make a totally negative speech, because a significant effort has been made by the Parliament’s committees, particularly the Finance Committee, to draw together a critique of the proposals that are before Parliament. That has been constructive, and the minister has responded in a significant way to the aspirations of many members of Parliament to make the budget process easier to understand and the figures easier to see. However, one or two matters could be revisited.

Complaints that are made regularly, particularly by the Opposition, concern the recycling of announcements and the reallocation of resources. I am not convinced that we have a corporate view of the budget. When there is an underspend in one area, it is not necessarily flagged up. It should be part of the process that if there is a significant underspend of several million pounds, the spending department ought to be allowed to have a certain amount, but the rest should come to the Finance Committee for reallocation. There should be a mechanism to report back underspends, so that we have a corporate view, rather than just recycling them within departments.

Mr McConnell: Does Brian Adam believe that end-of-year balances should be available at corporate level for reallocation between departments, in discussion with the Finance Committee, and between competing priorities?

Brian Adam: Where there is an underspend in a department, we should make a policy decision on whether that underspend belongs to the department or whether it should be dealt with corporately. That is a matter for debate; it is not a specific proposal. In addition, the debate should be not just about end-of-year balances, because underspends will appear during the year as well. If

we are to take an overview, we ought to have an overall picture and not just an end-of-year one.

I am concerned about the arcane financial arrangement that means that we are looking for a 6 per cent return on capital. That money just gets recycled, but it is not clear that it is recycled money. I am also concerned about the 3 per cent efficiency saving in the health service. We still lack clarity so that we know exactly where money has come from and where it is going.

I will finish before I get chased by the Presiding Officer.

The Deputy Presiding Officer: I call Des McNulty to wind up for the Labour party. He has a maximum of five minutes.

16:29

Des McNulty (Clydebank and Milngavie) (Lab): One of the most important points to draw from the debate is the one Donald Gorrie, John McAllion and Malcolm Chisholm have made—that the budget processes that are being put in place in the Scottish Parliament are much more transparent than and a significant advance in many other ways on what happened at Westminster.

The tone of the debate is welcome. The Finance Committee's report is critical. Some of the criticism is justified, but the tone of the debate has rectified the situation—we are moving forward and significant changes are being made to render the budgetary process more under control, more transparent and more accessible to people.

Part of the process began at Westminster. The comprehensive spending review launched by Gordon Brown in 1997 and the follow-up review that will come in next summer have set a different kind of budgetary framework from that which existed previously. Mr McConnell has advanced that process and considered how it can be taken forward in Scotland. The new approach is extremely welcome.

I am not a member of the Finance Committee; however, as a member of one of the subject committees I would like to highlight the importance of ensuring that each of the subject committees conducts its own budgetary review. We want to avoid the Finance Committee, in its scrutiny role, becoming in effect a policy and resources committee for the Parliament. It is important that each committee consider the budget in its own area, in its own terms. Obviously, an overview has to be conducted by the Finance Committee, but it is important that we see the budgetary scrutiny process as something that is undertaken by all the committees.

Mr Davidson: I welcome Mr McNulty's point—it

is a fact of life that there is not enough time for the committees to engage in that process. Will he suggest how we can best allow not only significant resources but enough time for the committees to do it correctly?

Des McNulty: That is a matter for the committees. If they view that as an important part of their activity, they will organise their timetable accordingly. It is important that they should.

Budgetary scrutiny is important in itself, but we must avoid the object of the scrutiny being the imposition of rigidity on the budgetary allocation system. Effective government means transparency—but it also means flexibility in the deployment of resources. It is important that we recognise that the Government has to be able to respond to exigencies and needs.

It is also important that we identify clearly some of the long-run trends that affect budgetary provisions. In health, education, transport and so on, there are long-run trends that will affect the amount of expenditure that is required in those areas. Not only policy changes or Government intentions affect budgetary decision—social trends have to be responded to. We should identify the long-run trends—as well as last year's budget—as a factor in budgetary decision making.

Something that came out of the Transport and the Environment Committee's review was the importance of ensuring that we have appropriate performance-monitoring information. Again and again, that point was made in different ways by people on that committee. Our object, in managing the Parliament's finances, is not only to ensure that budgets are spent in the areas in which they are intended to be spent; it is to ensure that the money is spent in a way that produces effective results.

One can fetishise the budget and make its consideration an end in itself, but ultimately what people are interested in is not so much how much money has been spent as what effect that spending has had. The Parliament has a responsibility, in organising its budget, to ensure that efficiency is a key criterion. We should consider not only the end figures, but how money is spent and what it delivers. That is why performance-monitoring information is crucial—we should ensure that it becomes part of the additional transparency that we are all so keen to secure.

16:34

Robert Brown (Glasgow) (LD): Unlike budget debates elsewhere, no one would say that today's debate has been one of great theatre. Nevertheless, many good points have been made. It has been based on the solid and trenchant

report of the Finance Committee.

The control of finance has dominated the relationship between Government and Parliament. It is no coincidence that at Westminster, the House of Commons—the elected chamber—has jealously guarded financial issues and money bills. When the old Scottish Parliament sat, Andrew Wilson and his colleagues might have risked their heads—rather than just the wrath of the Presiding Officer—if they inquired too closely into the spending of the king's bawbees. Happily, in this chamber, things have moved on a little.

Mr Swinney: Not that much.

Robert Brown: Not much, but a little.

This debate is about accountability, which means that ministers must justify and defend their budgets and, sometimes, even revise them in the light of parliamentary criticism. Accountability also means that the search for value for money for the taxpayer is powerfully enhanced by the exchange of views in the committees and in the Parliament. Real accountability means that the Scottish Parliament and its committee will have parliamentary control over spending, which does not happen in Westminster, as Donald Gorrie pointed out. In passing, I note that any debate in which Donald Gorrie claims Mike Watson as a kindred spirit must have something going for it.

As the Finance Committee points out in its report, we are not yet at the stage of transparency, accountability or, with due respect to Jack McConnell, robust statistics, which is a specific point that is made in the report. I am not unduly critical of the Executive in that regard, as we are all on a learning curve and at an early stage of that exercise. The Executive will have to return to the matter over the next year; in fairness, it is genuinely anxious to improve the presentation of the figures. Next year, it will have to deliver on some of the central issues raised in the report.

I will say a word about statistics and targets. Des McNulty was quite right to say in his winding-up speech that budgets and targets have become a bit of a fetish, whereas what we are interested in is results. The unfortunate lack of adequate Scottish statistics and information in a number of areas is a crucial problem that will take some time to resolve. A month or two ago, I came across a small example of that in housing. I discovered that there are no central statistics on the number of people who are evicted because of rent arrears. Although the Executive is correcting that, it will take some time for the figures to work through the system.

There are targets and targets. Some of those that have been set out in Executive documents are so vague and immeasurable as to be quite meaningless. Others are central and crucial to the work of the Parliament and the Executive. It is vital

that those reasonable and measurable targets are identified and translated into budgetary terms that can then be tracked. Fiona Hyslop was quite right to make that point.

During the Social Inclusion, Housing and Voluntary Sector Committee's examination of the budget, we identified a number of areas where targets bore no traceable relationship to the finance allocated to achieve them. That applied to important commitments such as that to support the 47 social inclusion partnerships in Scotland. Equally, consideration and assessment of the warm deal targets was made much more difficult by the lack of information on how far the finance went towards achieving them. Figures that cannot be linked to targets are simply not robust and are of little value in helping us to prioritise competing expenditures.

I will conclude on the thorny issue of finance in local government and the voluntary sector—one of Donald Gorrie's significant themes. There is no doubt that just as we need transparency in central Government spending, we must have transparency in how we allocate and deal with local government spending, which takes up so much of the Scottish budget. Figures and statistics on local government are almost incapable of penetration, even by the cognoscenti. As the Social Inclusion, Housing and Voluntary Sector Committee pointed out, we must also have a stream of resources to enable stable support for the voluntary sector, which is so important to the work of this Parliament.

Donald Gorrie also said that information is power. It is crucial that the Parliament and its committees have the information that they need to do their jobs. On the basis of the excellent report by Mike Watson's committee, let us move forward so that, next year, we can make meaningful choices and have a meaningful debate on the budget process with some excitement, moment and parliamentary control.

I support Mike Watson's motion.

16:40

Nick Johnston (Mid Scotland and Fife) (Con):

This has been an interesting and important debate. Lord Watson and his committee have produced a report that puts Mr McConnell firmly on the spot. The report concluded that the budget process, the Executive's document "Investing in You" and the Executive's consultation exercise were fundamentally flawed, imperfect and capable of misleading scrutineers. In particular, the Executive was found guilty of producing a document that makes it impossible for committees to calculate the finances of Government departments and in which the figures may hide

real-terms cuts in expenditure.

As David Davidson said, the Executive is guilty of making clear and open examination of the spending plans as difficult as possible. The vagueness and complexity of the figures are clearly designed to hide the true nature of the Executive's plans. Donald Gorrie, with his usual gravitas, summed it up well when he said that such were the failings of the Executive's handling of the budget process that the committee had deemed the matter serious enough to conduct a full review of this year's budget in the autumn. That is a shocking reflection of the Executive's mishandling of its finance remit. Due to its ineptitude, valuable committee time will have to be taken up with extra scrutiny.

Mike Watson: In light of his comments, I wonder whether the member has read the report.

Nick Johnston: Not all 190-odd pages, but I have read all the recommendations.

I remind Keith Raffan of another of Chairman Mao's comments: the longest journey starts with one step. We are not very far on the road to openness.

To prove that I have read the report, let me pick up some of the points that the committees have made. Keith Harding and Adam Ingram referred to the Local Government Committee's report to the Finance Committee. The report describes the system as

"reliant on overly sophisticated and complex indicators which fail to aid understanding by non specialists."

Fiona Hyslop mentioned the report of the Social Inclusion, Housing and Voluntary Sector Committee, which says that

"the presentation of targets in *Investing in You* is at best partial. The Committee found it difficult to judge whether targets were realistic and achievable without the benefit of baseline information".

Des McNulty spoke about the Transport and the Environment Committee, whose report says:

"A crucial omission in the document is information on performance against target."

The Education, Culture and Sport Committee's report says that

"the Committee found the presentation of the report very unhelpful in judging whether the targets are realistic and whether the proposed spending is consistent with the identified priorities."

The report of the committee of which I am a member, the Enterprise and Lifelong Learning Committee, says that

"the Committee is of the opinion that it would be helpful if all figures relating to the department's budget could be provided in both cash and in real terms at the outset."

Nevertheless, the Conservatives welcome the

report and the limited extra spending measures that the minister announced today.

Mr Raffan: Really?

Nick Johnston: Just to prove to Keith Raffan that we are fair, may I say that we particularly welcome the 100 per cent retention of underspend by local authorities.

We urge the minister to work to separate public propaganda from the technical aspects of the budget process. As for Mr McConnell's rather petulant comments, it is not for us to do the Executive's job and produce a budget—nor do we have the resources to spin the results.

All in all, the Conservative party welcomes a process that makes the budget open and accessible. [*Interruption.*] I am sorry. I thought that Mr Raffan was going to intervene.

Mr Raffan: No, I am just glad that the member is closing.

Nick Johnston: We want to take the process even further. We will work with the Executive. David Davidson, Mary Scanlon and Keith Harding showed the real value of the Conservatives' approach—measured and sensible—and reinforced the message that the Scottish people deserve openness and honesty.

Andrew Wilson referred to the misleading nature of the documentation. I must say that it is not as misleading as the SNP's economic policy, but he did raise some good points about the health budget, not least by recognising the records of Mrs Thatcher and John Major on spending.

All in all, the report is good and the committee deserves praise. I look forward to the process being taken forward in the next year. Let us make it even better.

16:44

Mr John Swinney (North Tayside) (SNP): I welcome the report, the process in which we are involved and this afternoon's debate.

I cannot make up my mind whether David Davidson's words were the most optimistic that I have heard this afternoon or the most ridiculous. He said:

"The days of smoke and mirrors are over."

Those words are either optimistic—we are seeing a cleansing of the system and there will be transparent new information—or ridiculous, because it will be business as usual as we all try to work our way through the smoke and mirrors.

The other cause for optimism lies in the fact that the Minister for Finance said that the process is about "listening and learning". I take his words at

face value and hope that that is the process in which he is interested. I intervened on the thorny issue of cash and real terms, on which we seem to battle on—the subject has been gone through in relation to the written agreements that Mike Watson mentioned in his opening remarks. We seem to have to battle time and again to get the information put together, shown and illustrated in a way that is accessible and straightforward. I hope that the minister is taking on board the points made by the Finance Committee to ensure that next year's document is clearer.

As the Finance Committee says, we need to look closely at what the Government is saying on end-of-year flexibility. The minister said that the end-year underspend and end-of-year flexibility were all about prudent and careful management of public finances. I do not question the possibility of prudent and careful management, but I find some of the areas where there is underspend surprising.

I am surprised to find that the total underspend in health was more than £100 million in a year when we had a winter health crisis. I would like to know what kind of planning of health service expenditure allows us to go through that fiasco at the turn of the year without the resources being properly allocated to meet public need. Mr McAllion and I represent parts of Tayside, where a hospital trust is facing a £12 million overspend from the previous financial year plus a recurring £11 million overspend for the next couple of financial years unless fairly draconian decisions are taken. However, we find that £34 million of the health budget for the past financial year has been spirited off to the reallocation fund. What on earth are the Executive's priorities if end-of-year flexibility is so flexible that resources are taken out of our health service, where we have real difficulties locally, and applied elsewhere? That whole issue needs to be opened up and examined; more quality information has to be given to enable us to have an informed debate about underspends and end-of-year flexibility and why what is going on is happening. I will take some persuasion that "prudent" and "careful" are the watchwords of the management executive of the national health service.

We have had some banter about what the minister said on the increase in the health budget. I want to clarify the issue. On 30 March, the Minister for Finance said in Parliament that the health budget increase for the financial year 2000-01 would be 7.3 per cent. In a parliamentary written answer on 22 June, the Minister for Health and Community Care said that it would be 4.3 per cent. Those figures cannot both be correct. The minister has already said he stands by the figure of 7.3 per cent, but I just cannot see on the information that is available how those figures can both be correct. That gets to the heart of the need

for us to be clear about—

Mr McConnell: Mr Swinney has just spent a considerable amount of time making absolutely clear that he thinks that end-of-year flexibility should be taken out of the calculations. When it is taken out of the calculations and we specify the percentage as 7.3 per cent, he objects to that outcome. What does he prefer—end-of-year flexibility in the figures or not in the figures?

Mr Swinney: Needless to say, the minister did not answer my point. I did not say anything about what I wanted to happen with end-of-year flexibility other than that we need a good, thorough understanding of why it arises and how it is reallocated. That is what I do not understand about the answers today.

My final point is on the issues that John McAllion and Robert Brown raised. Robert Brown said that what we are interested in is results. I agree with that—it gets to the nub of the budget process. The process has to allow us to understand the impact that public expenditure is having. It will not entail a how-many-angels-dance-on-the-head-of-a-pin analysis of targets. The process should be about understanding whether our public finances are delivering on the expectations of the Scottish public, as John McAllion said. Yes, we have a fixed funding formula in this Parliament and, yes, we have the ability to vary that. Some of us were straight with the public at the elections about the limitations of the exercise; it is incumbent on the Executive to be similarly straight with the public. The process has begun to blow some of the cobwebs from the analysis of public finances in Scotland. We have made an interesting and important start, but there is still a long way to go in the process of openness.

16:51

Elaine Thomson (Aberdeen North) (Lab): This afternoon's debate on stage 1 of the 2001-02 budget process is important. The new process is more open, informative and accessible to all in Scotland who are interested in better public services. Even as the process stands, we in the Scottish Parliament have the most accessible and structured budget process in the United Kingdom, as has been made perfectly clear by Donald Gorrie, Malcolm Chisholm and others. We owe quite a debt to the financial issues advisory group, the financial sub-committee of the consultative steering group.

We now have a report that has been agreed unanimously by the members of the Finance Committee. The committee was ably assisted by its advisers, Professor Brian Ashcroft and Professor Irvine Lapsley, whom I would like to thank. This is the first time that we have gone

through this process. Stages 2 and 3 are still to come in the autumn and the spring.

To use a word from the Finance Committee report, this process was always going to be “experimental”. None the less, as part of stage 1 of the budget cycle, public consultations have been carried out in cities and towns across Scotland. All the subject committees and the Equal Opportunities Committee have considered the budget. They have heard evidence from university professors, financial civil servants, Scottish Executive ministers and outside organisations such as the Law Society of Scotland and Victim Support Scotland. Concerns have been raised about the effectiveness of the consultation process. However, the Finance Committee has welcomed the progress that the minister has made on public consultation. From speaking to participants in those public consultations, I know that the opportunity to discuss and be involved in the Scottish budget-making process has been appreciated and considered useful.

The willingness and co-operation of the Minister for Finance and other ministers in working with the committees has been recognised. A report of the Enterprise and Lifelong Learning Committee said that the committee had been struck by the Executive’s determination to participate enthusiastically and openly in the process. I believe that the Minister for Finance should also be commended for producing an initial response to the Finance Committee’s report so promptly. He has responded positively in many areas.

This process can only grow, develop and improve in future years. Even as things stand, this year’s budget has probably been considered and discussed by more people than ever was the case before the establishment of the Scottish Parliament. I would like to thank all those who have been involved, whether inside the Parliament or externally.

Much of this year’s discussion has focused on the presentational issues and the completeness of the financial data in “Investing in You”. There are several different groups of readers for that document, each of which has different requirements and seeks information in varying levels of detail. Making financial data lively and interesting will always be challenging, but engaging and informing the wider Scottish public is a vital part of the process and well worth pursuing. There is general agreement that clarity and accessibility are crucial to ensure maximum participation, as Rhoda Grant made clear.

The Finance Committee feels that the budget bill is the most important piece of legislation that the Scottish Parliament will pass each year. Stage 1 is an integral part of that process. It is vital that timing issues are resolved and that, in scheduling

their work, committees have adequate time to consider this stage of the budget fully.

As the Finance Committee’s report on the budget makes clear, there are areas that need to be improved or revised. Some criticisms have been made of “Investing in You”, and the committee has called for radical and substantial improvements to the documents. However, to describe them as David Davidson did is less than fair. We have debated many specific—*[Interruption.]*

The Deputy Presiding Officer: Order. There is far too much gossiping, which is discourteous to the member who is speaking.

Elaine Thomson: We have debated many specific difficulties this afternoon. As Keith Raffan said, committees will gain expertise in their subject areas over time, which will improve the quality of scrutiny that they bring to the budget process. That will assist them and give them a better understanding of the budgetary process, which will benefit the Parliament and Scotland as a whole.

Many members have highlighted specific points, such as the need for a better linkage between strategic goals, policy outcomes and the figures presented in the budget documents. Such improvements would certainly allow committees to see more clearly whether expenditure is appropriate. There are real opportunities radically to review and develop “Investing in You”, so that the information given—in structure, content and style—is of real benefit in developing the modern financial information that is required by a Parliament committed to openness and accessibility. Information technology can be harnessed imaginatively to do that.

One area that all committees were asked to report on was the gendered impact of expenditure proposals. Many of them did so, but it was clear that they found it difficult. As Robert Brown said, we need better Scottish statistics across a whole range of areas. We need better gender-disaggregated data and we should perhaps put in place a gender impact analysis. The same applies to other equal opportunity factors, such as rurality, ethnicity, age and disability. As Keith Raffan said, another cross-cutting feature is the ability to monitor effective expenditure on, for example, drugs misuse. We must consider what financial models should be developed to allow that to happen.

This year’s budget consideration has been a valuable learning process, and much has been achieved in identifying the kind of robust and accessible financial data that are required for improving the Scottish budgetary process. Most committees agreed with the level of spending presented in “Investing in You”, which details the

investment in education, health and social inclusion as prioritised in the programme for government. Only two committees indicated that there were areas in which they wanted to change some of the allocations; Mary Scanlon mentioned the mental illness specific grant.

The budgetary process can only improve in future years. As Jack McConnell said, the committees should in future be able to spend more time discussing how the money is allocated and less time on presentational issues. I look forward to the full review of the budgetary process that the Finance Committee, with the Minister for Finance, proposes to carry out in the autumn. That review will involve the committee convener and Scottish Executive finance officials, so that we can see how the process has operated and how it can be improved. We should end up with the kind of budgetary process and financial information that Scotland requires for the new century.

Budget Process (Written Agreements)

The Presiding Officer (Sir David Steel): The next item of business is consideration of motions on written agreements on the budgeting process.

Motions moved,

That the Parliament notes the written agreement between the Parliament and the Scottish Ministers on the Form of Accounts and Powers of Directions (SP Paper 158) and agrees its terms.—[*Mr Welsh.*]

That the Parliament notes the two written agreements on the budgeting process between the Finance Committee and (a) the Scottish Parliamentary Corporate Body and (b) the Scottish Commission for Public Audit (SP Papers 156 and 157 respectively) and agrees their terms.—[*Mike Watson.*]

That the Parliament notes the three written agreements between the Parliament and the Scottish Ministers on the budgeting process (SP Paper 155) and agrees their terms.—[*Mike Watson.*]

Decision Time

17:01

The Presiding Officer (Sir David Steel): As there are no Parliamentary Bureau motions before us today, we will go straight to decision time. There are four questions to be put as a result of today's business.

The first question is, that motion S1M-1057, in the name of Mike Watson, on the 2001-02 budget process, be agreed to.

Motion agreed to.

That the Parliament notes the 11th Report 2000 of the Finance Committee, *Stage 1 of the 2001-02 Budget Process* and commends the recommendations to the Scottish Executive.

The Presiding Officer: The second question is, that motion S1M-1054, in the name of Cathie Craigie, on behalf of the Audit Committee, on the written agreement on the form of accounts and powers of direction, be agreed to.

Motion agreed to.

That the Parliament notes the written agreement between the Parliament and the Scottish Ministers on the Form of Accounts and Powers of Directions (SP Paper 158) and agrees its terms.

The Presiding Officer: The third question is, that motion S1M-1055, in the name of Mike Watson, on behalf of the Finance Committee, on written agreements on the budget process, be agreed to.

Motion agreed to.

That the Parliament notes the two written agreements on the budgeting process between the Finance Committee and (a) the Scottish Parliamentary Corporate Body and (b) the Scottish Commission for Public Audit (SP Papers 156 and 157 respectively) and agrees their terms.

The Presiding Officer: The fourth question is, that motion S1M-1056, in the name of Mike Watson, also on written agreements, be agreed to.

Motion agreed to.

That the Parliament notes the three written agreements between the Parliament and the Scottish Ministers on the budgeting process (SP Paper 155) and agrees their terms.

Sexual Crimes Trials

The Presiding Officer (Sir David Steel): The final item of business today is a members' business debate on motion S1M-380, in the name of Johann Lamont, on cross-examination during sexual crimes trials. This debate will be concluded without any question being put after 30 minutes. It would be helpful if those members who would like to speak in the debate would press their request-to-speak buttons now, and if those leaving would do so quietly.

Motion debated,

That the Parliament recognises the huge distress that can be caused to the victims of rape and other sexual crimes if accused persons are allowed to conduct their own defence and can cross-examine victims, and urges the Scottish Executive to bring forward legislation as a matter of urgency which will bring the rights of victims in such cases into line with the new rights of victims in England and Wales.

17:01

Johann Lamont (Glasgow Pollok) (Lab): I am proud to have the opportunity to introduce this debate on the cross-examination of the victims of sexual crimes.

I am aware that there is considerable interest in this debate. I believe that that interest reflects a general concern that some have about our legal process—about women in the judicial system and about the broader issue of the rights of victims in the judicial process. It also reflects the anxiety that some of us have about a curious dislocation between what the legal system decrees to be fair and what society would define as just and fair treatment.

I start from some basic premises about justice. We all have the right to a fair trial. We all have the right to be presumed innocent until proven guilty. As victims of crime, we have the right to a fair hearing. There should be legislation that ensures that victims of sexual assault are not cross-examined by the person accused of the crime, which is currently the system in England and Wales. That should be a blanket rule for certain categories of crime. Such a general rule would not prejudice or reflect on the individual accused. It is simply an obscenity if, in even one case, in the name of justice and fairness to the accused, the legal process sanctions the further abuse and intimidation of a woman who has been raped. The rights of the accused must be protected, but no one has been able to explain to me how a person's innocence is attacked if the cross-examination of the victim is carried out by a third party. Rape is the ultimate in the exercise of power and control over another human being. We cannot

allow our formal processes to be subverted to allow the further exercise of that power.

There is a problem around the debate on rape and sexual assault that we must acknowledge. We know that below the surface—more visible at some times than at others—there is a residual unease and anxiety about, perhaps even a little hostility to, women who report rape. There may even be an instinctive disbelief in their claims. It can be seen as legitimate to be as tough as possible on the woman making an accusation, because if she breaks, she is a liar. She may simply be broken by the system. It seems that the presumption of innocence does not always extend to a woman who reports that she has been raped.

That is not to deny that there has been movement in society's attitude to rape. It is now acknowledged that there can be rape within marriage. There is a broader awareness of the extent of domestic abuse and violence against women. We know, for example, that police procedures, particularly in cases involving sexual assault, have improved immeasurably. However, it is important to acknowledge that that movement has been brought about not by the judicial system renewing itself, reflecting and changing, but by the work of women's groups and women's organisations, which have identified the problem, named the crime and developed solutions, often in the teeth of official resistance.

I want to recognise all those women affected, who have often been talked of as victims and placed in the same category as vulnerable children. We should see them as survivors who have had the courage to speak out about their experience to save others from the same. If anyone is to get credit for the changes that we are going to introduce, let it be those women.

Any observer would acknowledge that the case for change has been pressed in the recent period, and that there has been a huge backlash—especially from figures in the legal profession and the judiciary—that has been horrific and mesmerising in its belligerence. Accusations have included the suggestion that rape cases go to trial without the same test of evidence as other cases, when we know that rape is often under-reported. We are accused of seeking tabloid headlines, pursuing a women's agenda or attacking human rights. There has been a desire to characterise this debate as being the emotional versus the rational mind; the lynch mob versus the due legal process. I refute such divisions. The debate is simply a plea for a civilised approach and for equality under the law. I congratulate the Executive on its announcement that it will legislate on the issue. I am disappointed that we waste energy debating whether that decision is a U-turn or a defeat, or for whom it is a victory. It is a

welcome advance. We are not now talking about whether; we are talking about how.

I also acknowledge—perhaps unusually—the role of the media. They have recently played their part in highlighting the injustices that the Executive is now moving to address.

I recognise that there is much to be done, but I trust that those who seek to delay, and to drag their feet, will not be allowed to do so. They must not be allowed to determine the pace of change. I also seek assurances that the way in which we shift will be developed in partnership with the women's organisations that brought this debate to the fore in the first place.

At the heart of the Executive's decision to move is a clear and important understanding that advice on policy making in justice comes in many voices, not just in the accents of our legal and judicial betters, but in the voices of women survivors, women's organisations, victims and their families. There are alternative sources of wisdom in our society. It bodes well for the prospects of the Parliament if that understanding reflects a shift in the balance of political gravity in our society so that we now listen to more than one voice in our community.

The importance of process in rape cases is crucial. When we talk about crime, we hear a great deal about deterrence. We must examine how we deter potential rapists. We must consider challenging society's attitude to women and to our sentencing policy. We must also confront the way in which our current processes can deter women from reporting the crime in the first place. When crimes go undetected, unreported and unpunished, as a society we are diminished.

This is only one part of the important work of ensuring justice and equal access to the process of the law for all our citizens. I am happy to have this debate and I look forward to hearing the other speeches.

The Presiding Officer: Eight members would like to speak before the minister replies. That will not be possible unless everyone sticks to about two minutes.

17:08

Mr Gil Paterson (Central Scotland) (SNP): I will take as short a time as I can.

It is evident that support for changes to the law on rape cases cuts across all the parties. The pressure within Parliament, and outside, is pushing the Executive along quite nicely.

I pay tribute to the minister; not only is Angus MacKay listening to us, but he is interested in and sympathetic to the clear message that direct

cross-examination of the alleged victim by the accused should be outlawed. If Angus has anything to do with it, I think that that practice will cease.

Many other issues are involved when it comes to rape trials; this is not just about a single issue. Cross-examination on sexual history is a closely related issue. As I understand it, the Executive is saying that it is talking about one step. I will take this opportunity to give a message to the Executive. The message is that, if the accused requests that sexual history is brought to the court, the sexual history of the accused should also be brought to court. That sexual history could include the times when they have been accused and the times when they have been charged, but frankly I do not think that that provides the right balance. If the accused brings the sexual history of an alleged victim—one who has been charged with no crime—into the court, the quid pro quo should be that the unfettered sexual history of the accused should also be brought to the court.

Balance is required in many areas of the judicial system and I am pleased about the messages that the Executive is sending and about the good will and the encouragement that have been given. I pay tribute to Johann Lamont for bringing this debate to the chamber. The debate comes at a good time. A little bit of extra pressure is required because, as Johann said, if change is needed, it is needed soon. I hope that it comes.

17:11

Mrs Lyndsay McIntosh (Central Scotland) (Con): I, too, anticipated that there would be considerable interest in the debate. Out of courtesy I will keep my remarks brief. I congratulate Johann Lamont on securing the debate and on bringing a topic so recently in the headlines sharply into focus in Parliament.

It would be wrong to say that every rape trial results in a victim's being cross-examined over a number of hours by the alleged attacker. The circumstances of the recent case were unusual, but the fact that such a situation should happen at all is the crux of our discussion this evening. That the fear of such an interrogation should cause a wee girl to attempt to take her life fills me with anger, loathing and revulsion.

In my student days, I was involved in a discussion with friends about a brutal rape in Dundee. One of my chums said that, if the victim had been his girlfriend, the rapist would have had to pray that the police found him before he did, as he would kill him. I have a 14-year-old daughter—who says that she will disown me if I do not acknowledge male rape today—and I daresay that if she were the victim, my thought process would

be similar to that of my student friend. That is the depth of feeling that people have—"Hinging's too good for them"; "He'd no dae it again if I got a haud of him"; "I'd castrate him." Those are typical responses of people repulsed by violent sexual attack. However, what repulses us more is the treatment of victims during rape trials. Our adversarial system of court procedure is such that we lose sight of the victim's plight. The victim becomes merely a witness. Witnesses in cases involving a two cop BOP, or breach of the peace—which was my stock in trade when I sat in a district court—found the experience traumatic. For a rape victim who is the main prosecution witness in a trial, the distress and stomach-churning fear must be immense. For some, it is more than they can bear; hence the attempted suicide.

The successful prosecution rate is abysmally low, which affects the inclination to report a rape. The truth is that we do not know how many rapes there are in a year. How rape victims are treated by the police and by the courts impacts on the willingness to report. The attitude of the police is improving, as are some of the facilities, but not every police station has a rape suite. The main issue, however, is how cases are prosecuted. When vulnerable women have their lifestyles, actions and particulars of an intimate and personal nature examined in minute detail, we feel anger at a system that allows that to happen. When that examination is carried out by the person who is alleged to have carried out the attack, we feel enraged. It is little wonder that we hear calls to change the system.

I know that some people hold the view that the alleged rapist should not be afforded the right to cross-examine a witness in their own defence, particularly when there appears to be some twisted, perverted gratification for the questioner. I fully understand the thinking behind the calls for that evil to be stopped. However, I know that those calls will be fiercely opposed by legal practitioners claiming that the right of the accused to a fair trial would be jeopardised, it being an inalienable right to face one's accuser. Some hold the view that, when an accused conducts his own defence, a third party might put the questions of the alleged rapist to the victim witness on behalf of the accused. While that might be a comfort to the witness, it would provide ready grounds for an appeal and there is no way that I want to give a rapist an opportunity to be set free on appeal so that they can attack another defenceless woman. The question of appeal seems to be the reason why those who hear rape trial cases are slow to intervene when questioning a victim witness becomes a sadistic pleasure for the accused. A technicality is the most offensive reason for the guilty to be set free.

I am in favour of considering any measures that

would allow the proper conduct of a defence while maintaining the rights of the victim witness. Let us not pussy-foot around definitions; rape victims—irrespective of their age—are vulnerable witnesses and should be treated as such. We have videoconferencing technology; let us use it to protect women from the grotesque humiliation that a rape trial can become.

I salute Johann Lamont for bringing the debate to the Parliament today, and ask her to number me among the supporters of the cause.

17:16

Euan Robson (Roxburgh and Berwickshire) (LD): I add my congratulations to Johann Lamont on securing the debate. I am pleased to pledge my personal support, and the support of the Liberal Democrats, for ending the practice of allowing cross-examination of a witness by the accused in sexual crime cases.

Mercifully, there have not been many cases of that kind in the recent past, but the publicity that such cases have gained might encourage more people to use that tactic in future. There might be difficulties with the European convention on human rights, but if we are careful and frame the legislation with due attention, we can ensure that the accused's rights are upheld by use of professional representatives. That would be a fair and proper way in which to proceed.

The Liberal Democrats hope that, when the reforms are complete, more women will come forward to testify, as they will have more confidence in the system delivering justice. Women need greater protection from the law in Scotland. We have made a useful start, and I look forward to participating in bringing about a fairer and better system that will engender greater confidence.

17:17

Pauline McNeill (Glasgow Kelvin) (Lab): I thank Johann Lamont for bringing this debate to the Parliament. She has been consistent in her approach, not only in the Parliament but outwith it.

In the past 15 years, sporadic attention has been paid to issues of gender and the criminal justice system. It is apparent to the Justice and Home Affairs Committee that women who are victims of sexual crimes feel let down by court procedures, and specifically by the criminal justice system. I shall address two points. The first is the issue that Lyndsay McIntosh touched on, concerning cross-examination. The second follows on from what Gil Paterson said about sexual history.

I came to this debate early on, thinking that

perhaps we had to be careful about article 6 of the European convention on human rights and about removing the accused's right directly to cross-examine the witness. However, I now support the position of Women's Aid, which is not in favour of video linking and third-party cross-examination. We should remove the option of direct cross-examination. It does not take a lawyer to interpret article 6 of the convention, which clearly states that the accused has the right to "have examined"—that phrase suggests that we can remove the option of direct cross-examination with good reason.

I next want to expand on Gil Paterson's point. Although I welcome the radical approach that the Executive is taking to the issue, we cannot stop at legislating only on that point. We know that there is a low conviction rate for crimes of rape. The shields legislation of 1986 was designed to limit the use as evidence of victims' previous sexual history. It is a sad fact that applications to mention the victims' sexual history are made in more than half the rape trials that are recorded. The ordeal of women in the witness box must be further addressed in cases of sexual crimes. Sadly, on many occasions judges have allowed the rules to be broken although there is clear legislation preventing a victim's sexual history from being mentioned.

On many occasions, defence solicitors have abused the process. The Brown report in 1992 said that although the legislation had been effective, there were three main weaknesses. First, the rules were not followed in all cases—we have seen that in many recent cases. Secondly, the legislation failed to address the innuendo and inference that defence lawyers were allowed to use in court, which was a way of manipulating the legislation. That has to stop. Finally, the subtlety of the attacks on the credibility of the complainer was cause for concern. Although the report did not make any comment on verdicts, it is clear from the acquittal rate that there must be a flaw in the process.

We have made a radical start to addressing women's concerns about the criminal justice system. I welcome the Executive's proposals.

17:21

Dorothy-Grace Elder (Glasgow) (SNP): I thank Johann Lamont for securing this important debate. I am sure that all of us would like a ban on cross-examination of victims to extend not just to rape but to sexual crimes generally. It is important to note that some sexual crimes can result in worse damage than that caused by what is technically rape.

Dickens described the law as a beast that feeds

on human misery. He meant the law everywhere, including Scotland, so we cannot regard ourselves as superior. Unfortunately, in relation to women and children, that beast has not changed much in the past century.

The changes that there have been in the courts, such as the use of videos and screens, have been a mere feather-dusting. A week or so ago, the cross-party group on male violence heard just how ineffectual that could be. One Women's Aid worker had to find the screens herself, as nobody else bothered. We know that sometimes those aids are not available for the cowering and terrified woman or child. That is not good enough.

Meanwhile, the police have changed their attitudes and have improved greatly in dealing with those cases. I pay special tribute to John Orr of Strathclyde police, who took a strong line against violence in any form against women and children. However, the court system remains brutal and barbaric. I do not think that any Scot should take pride in the Scottish court system in this regard. It would be vain and atavistic to think that Scots law is always right. We must drag it out of the caves and liberate these women and children from an ordeal that can be as bad mentally as the crime itself.

I have met too many of the victims. I have seen a child of just under three carried into a court where the accused was sitting. That child was too terrified to say anything, hard as it would be to do so at that age. Of course, that was yet another case that collapsed.

Why do so few victims come forward? Who would if they knew that they would face the bullying tactics that women and children encounter from paid advocates? It is even worse if they have to face the accused man.

Let us get right into the 21st century and end this shame on Scottish justice. Go for it, minister: get rid of it.

17:24

Nora Radcliffe (Gordon) (LD): I commend Johann Lamont for securing the debate, and I commend the Scottish Executive for being prepared to introduce legislation as soon as possible.

Obviously, that will not happen overnight, so I would like an indication from the minister of whether the Scottish Executive is examining ways of ensuring that the current guidelines on the manner and relevance of the examination of a woman's sexual history are being applied to the letter and in the spirit of the law. The current guidelines are not being consistently and wholeheartedly applied. Measures should be taken now

to ensure that the current guidelines are used properly in the meantime.

The Presiding Officer: I call Malcolm Chisholm, who has one minute.

17:25

Malcolm Chisholm (Edinburgh North and Leith) (Lab): I welcome the Executive's commitment to act on the matter. Clearly, it is only one piece—although a very important one—in a jigsaw of measures that are required to secure justice and support for rape victims. I hope that that will be carried forward by the other measures in "Towards a Just Conclusion" and through other more radical provisions, such as the use of special prosecutors in rape cases.

I wanted to talk about the European convention on human rights, because that has interested me throughout the debate. However, I have time to refer to only one judgment; I have read it in full because it is very interesting. It is not simply the interpretation of the principles in articles 3 and 6 to which Pauline McNeill referred that makes it clear that the proposals are not against the European convention. The case of *Croissant v Germany* in 1992 makes it absolutely clear that not only can a state require a defendant to act through a lawyer, but, according to the judgment, the court can even appoint the lawyer. There has been no doubt about that throughout the debate, and I should be interested to know what legal advice the Scottish Executive has received on the matter during the past year.

17:26

Lord James Douglas-Hamilton (Lothians) (Con): I have been involved in prosecuting rape cases and in defending one such case. The great worries that they raised were threefold. First, the time taken in such cases is a cause for concern. In one English case, the accused confronted the victim in court for six days. That is outrageous. Secondly, there is the issue of confrontation, which is extremely painful and traumatic. I have seen a girl reduced to a huddle in the bottom of the witness box—an ordeal that was extremely disagreeable and unpleasant to watch. In that case, the trial had to be adjourned and restarted. That is almost as bad as reliving the rape all over again. Thirdly, there is the issue of sexual history, which is often explored well beyond the circumstances of the crime. Sexual histories are sometimes brought out in prolonged cross-examinations, and that should be subject to restriction.

Only a few days ago, Mr Jim Wallace, the acting First Minister, said:

"I want to make crystal clear that the Executive is committed to preventing the accused in sex offence cases from cross-examining the victim in person."

There are great worries about confrontation; video links might help, but the minister may want to go further than that. I look forward to what the Deputy Minister for Justice has to say on the matter.

Jim Wallace also said that

"we intend to strengthen the current restrictions on cross-examination on sexual history and character."

I hope that the minister will introduce a package of measures to protect the rights of the accused at the same time as ensuring that the victim does not have to go through the traumatic experience that many victims have had to undergo in the past—that approach is outdated, degrading and, as has been said, barbaric.

The Presiding Officer: I thank members for their co-operation in keeping their speeches short. I have left the minister very short of time, but I will turn a blind eye to the clock.

17:28

The Deputy Minister for Justice (Angus MacKay): Thank you, Presiding Officer. Unusually, I will not take any interventions, because of the shortness of time. I have several points to make and I will try to rattle through them as quickly as possible.

I welcome the opportunity to hear again the strong and sincerely held views expressed by members in the debate and to restate the commitment that the Executive has already given to introducing legislative proposals to deal with the issues that we have discussed.

First, let me put it on record that the Executive fully supports the sentiments expressed in Johann Lamont's motion. Johann is a long-time campaigner on justice for women, both in her Pollok constituency and across the country. She is a powerful advocate for victims, and the fact that she lodged the motion reminds us of the seriousness of the issue, touching as it does on the impact of sexual offences and the subsequent court processes on victims and their families.

The Executive recognises the great distress that can be caused to the victims of rape and other sexual crimes when giving evidence at the trial of the person accused of attacking them, particularly if that individual elects to conduct their own defence and to cross-examine the victim personally. We also recognise that, as Johann Lamont said, it is essential properly to balance the rights of an accused person to examine or have examined on their behalf witnesses at their trial, with the rights of their victim. We intend to strike the appropriate balance.

That is why we announced our commitment to introduce measures to prevent an accused person charged with rape or with another sexual offence from cross-examining a victim personally. We also recognise the great distress that can result from a victim being asked irrelevant and intrusive questions about their sexual history or character. We are determined to tighten up the existing measures in that area.

Beyond that, the Executive is fully committed to supporting the victims of crime and to a criminal justice system in which the voice of the victim is heard. Work on our measures has been instructed, and is already under way; it will continue during the summer. That will enable us to develop legislative proposals that achieve our objectives and that make sense in the context of our system of criminal justice.

As part of that process, my officials will meet interested parties—including representatives from women's groups and victim support groups, from the professions and from the academic world—and other people with views to contribute. The legislative proposals, which we will publish after the recess, will have to be workable within the Scottish criminal justice system.

The basic principles of the criminal justice system must be upheld, and we are confident that they can be. They include the presumption that an accused person is innocent until proven guilty; the requirement for the case against the accused to be proved beyond reasonable doubt; and the need for corroboration and for the defence to have the opportunity adequately to test the evidence against the accused. None of that should be compromised.

That is not to say that the law and the procedures based on it cannot be updated and modernised. We believe that that is possible and we intend to do that.

As we work, we will also focus on fundamental principles regarding the rights of victims and witnesses. All victims and witnesses have the right to be treated with respect and dignity, to be protected from harassment and intimidation before, during and after trial, and to be given whatever support and protection are necessary to enable them to give their evidence fully, with confidence and to the best of their ability.

Victims and witnesses should also be actively and closely involved in decisions about how they might be helped to do so. For example, under Scots law at present, the views of witnesses who may give evidence through the use of a closed-circuit television link or of screens should always be considered when the decisions on their use are being taken.

The public interest in the proper and effective administration of justice and in the protection and support of victims and witnesses is best safeguarded by ensuring that fair trials take place: fair to the legitimate rights of the accused and fair to the legitimate rights of victims and witnesses.

As members know, all legislation enacted by the Parliament must be compatible with our obligations under the ECHR and with fundamental freedoms. The proposals that we make to change the law will be such that convictions are not likely to be overturned on appeal, either because a change in the law compromised our basic principles of justice, or because that change might be struck down as incompatible with our obligations under the convention.

We are well on the way to formulating detailed legislative proposals. We have identified a range of options for change, in relation both to the issue of cross-examination carried out personally by an accused and to the nature of the questioning that is allowed.

We are also considering extending the current provisions that allow certain witnesses to have the use of what are known as special measures when they give evidence in court. The possible options for change in that area will be discussed with interested parties over the summer. We will look favourably at any measures that best allow crime victims to be supported during proceedings.

Every citizen involved in court proceedings—crime victims and accused persons—is entitled to have their rights protected. We do not accept that securing fair trials necessarily means excluding proper protections—we believe that those can go hand in hand.

I will conclude by restating the Executive's unambiguous commitment on the issue. We believe that current practice is unreasonable, unnecessary and offensive. Members should be in no doubt about the Executive's commitment to support victims of crime, to be tough on crime and the causes of crime, to deal fairly but firmly with criminals and to protect the most vulnerable members of society.

We are already working on legislative proposals to fulfil the commitments that we have made on the issues discussed in the debate, and I very much look forward to bringing that legislation before the Parliament.

Meeting closed at 17:34.

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