FINANCE COMMITTEE

AGENDA

15th Meeting, 2004 (Session 2)

Tuesday 11 May 2004

The Committee will meet at 10.00 am in Committee Room 1 to consider the following agenda items:

1. **Subordinate legislation**: The Committee will consider the following affirmative instrument –

   the Budget (Scotland) Act 2004 Amendment Order 2004 (draft)

and will take evidence from—

   Tavish Scott, MSP, Deputy Minister for Finance and Public Services;

   Richard Dennis, Finance Co-ordination Team Leader, Scottish Executive; and

   Paul Grice, Clerk/Chief Executive and Lisbeth Craig, Financial Controller, Scottish Parliament;

2. **Subordinate legislation**: Tavish Scott, MSP, Deputy Minister for Finance and Public Services to move (S2M-1231) in the name of Andy Kerr MSP - That the Finance Committee recommends that the draft Budget (Scotland) Act 2004 Amendment Order 2004 be approved.

3. **Budget Process 2005-06**: The Committee will take evidence as part of its consideration of Stage one of the 2005-06 Budget Process from—

   Peter Wood, Tribal HCH.

4. **Emergency Workers (Scotland) Bill**: The Committee will take evidence on the Bill’s Financial Memorandum from—

   Richard Scott, Head, Criminal Justice Division and Gery McLaughlin, Bill Team Leader, Criminal Justice Division, Scottish Executive.

5. **Items in private**: The Committee will decide whether to consider the draft report on the Financial Memorandum of the Emergency Workers (Scotland) Bill and an issues paper on the Committee’s Inquiry into the Relocation of Public Sector Jobs in private at its next meeting.

7. Breastfeeding etc. (Scotland) Bill (in private): The Committee will consider its draft report on the Bill’s Financial Memorandum.

The papers for this meeting are:

**Agenda Item 1**

Paper by the Clerk

**Agenda Item 2**

Paper by the Clerk

The Budget (Scotland) Act 2004 Amendment Order 2004 – hard copy only - and Budget Documents

**Agenda Item 3**

Paper by the Clerk – written submission

PRIVATE PAPER

**Agenda Item 4**

Emergency Workers (Scotland) Bill, Policy Memorandum and Explanatory Notes— http://www.scottish.parliament.uk/bills/index.htm#21

Paper by the Clerk – written submission

PRIVATE PAPER

**Agenda Item 6**

PRIVATE PAPER

**Agenda Item 7**

PRIVATE PAPER
Finance Committee  
15th Meeting 2004 - Tuesday 11 May 2004  
Subordinate Legislation – The Budget (Scotland) Act 2004 Amendment Order 2004

1. This paper sets out a brief description of the statutory instrument which is to be considered by the Committee. A separate paper has been produced which outlines the procedure for considering subordinate legislation.

2. The amendments contained in the Budget (Scotland) Act 2004 Amendment Order 2004 are connected to the budget for the Scottish Parliamentary Corporate Body (SPCB).

3. The proposed changes are:

   (i) to cover the increase of £29.4m in the cost of the Holyrood Project. This increase was announced in the Presiding Officer’s monthly report to the Committee and was discussed by the Committee on 26 February 2004; and

   (ii) to allow the SPCB to draw down £45.046m of anticipated End Year Flexibility (EYF). As the supporting documents to the instrument make clear, this does not represent any change in the overall cost of the building. It is due to budgets authorised for one year requiring to be re-authorised if the resources are not used before the end of that year.

4. The instrument was considered by the Subordinate Legislation Committee at its meeting on 4 May 2004 and it had no comment to make.

Susan Duffy  
Clerk to the Committee
Finance Committee

15th Meeting 2004 – Tuesday 11 May 2004

Procedure for Considering Subordinate Legislation

Introduction
1. The Finance Committee may consider subordinate legislation which seeks to amend Budget Acts (referred to as ‘budget revisions’). These budget revisions request parliamentary authorisation for a number of in-year changes to the allocations as set out in the Budget. For these items, the Minister or Deputy Minister responsible for the instrument gives evidence to the Committee, normally accompanied by officials from the Scottish Executive’s Finance and Central Services Department. Members may find this briefing note on the procedure for the consideration of subordinate legislation helpful.

Background
2. When passing legislation, the Parliament accepts the principles of a bill but often leaves much of the detail to be filled in by subordinate (or secondary) legislation via Scottish Statutory Instruments (SSIs) at a later date. The nature and extent of the powers which are delegated to Ministers are set out in the parent Act.

3. After a SSI has been laid before the Parliament, the Parliament has 40 days to report on it. The SSI is referred to the Subordinate Legislation Committee first, for consideration of its technical and legal aspects, and then to a nominated lead committee (this is the committee within whose remit the subject matter falls) to consider the policy issues.

4. SSIs are usually considered under either affirmative or negative procedures\(^1\). The draft order before the Committee is an affirmative instrument and thus requires the approval of the Parliament by motion before it can come into force. Negative instruments, on the other hand, automatically become law unless a member proposes a motion for annulment.

Procedure
5. It is the role of the lead committee to scrutinise the draft order and decide whether to recommend its approval to the Parliament. The Minister or Deputy Minister responsible for the instrument will speak to and move the motion calling on the Committee to recommend that the order be approved. The motion recommending approval of this motion is listed below. The Committee may then question the Minister and the debate on whether to recommend approval of the instrument must last no longer than 90 minutes (Rule 10.6.3). At the conclusion of the debate, the question will be put to committee members that they recommend to the Parliament that the SSI be approved.

6. The Committee will then report its decision to the Parliament. If it recommends the approval of the instrument, the Parliamentary Bureau shall, by motion, propose that the instrument be approved by the Parliament.

\(^1\) For further information on the procedure for examining subordinate legislation, Members are advised to consult Chapter 10 of Standing Orders.
Motion
S2M-1231 Mr Andy Kerr: The Draft Budget (Scotland) Act 2004 Amendment Order 2004—That the Finance Committee recommends that the draft Budget (Scotland) Act 2004 Amendment Order 2004 be approved.
Supported by: Tavish Scott

Susan Duffy
Clerk to the Committee
Scotland’s Budget Documents:
The 2004-05 Summer Budget Revision
to the Budget (Scotland) Act 2004
for the year ending 31 March 2005

Laid before the Scottish Parliament by the Scottish Ministers April 2004

SE 2004/83
Scotland's Budget Documents:
The 2004-05 Summer Budget Revision
to the Budget (Scotland) Act 2004
for the year ending 31 March 2005

Laid before the Scottish Parliament
By the Scottish Ministers
April 2004

SE 2004/83
## Summer Budget Revision

<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
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</tbody>
</table>

Supporting information:

| Scottish Parliamentary Corporate Body | 4    |
Summer Budget Revision

Introduction

1. This document provides supporting information for the Parliament and others in support of the “Budget (Scotland) Act 2004 Amendment Order 2004” – the Summer Budget Revision. The Order is a Scottish Statutory Instrument laid before the Parliament by the Executive in April 2004. The booklet itself has no statutory force – it is produced as an aid to understanding the Order.

2. The purpose of the Summer Budget Revision is to amend the Budget (Scotland) Act 2004, which authorises the Executive’s spending plans for the financial year 2004-05. Both amendments to the Act proposed in the Summer Budget Revision are connected to the budget for the Scottish Parliamentary Corporate Body (SPCB). Although the Scottish Executive itself has no say over changes to the SPCB’s budget, which are separately scrutinised by the Finance Committee, bodies such as the SPCB are included in the Budget Act and subsequent revisions to enable the Parliament to consider the entire Scottish Budget in one unified process. The changes proposed are:

   i) to cover the increase of £29.4m in the cost of the Holyrood Project announced in the Presiding Officer’s report to the Finance Committee of 24th February; and

   ii) to allow the SPCB to draw down £45.046m of anticipated End Year Flexibility (EYF). EYF would normally be drawn down in the Autumn Budget Revision, once provisional out-turn numbers have been agreed. But with the Holyrood Project on target for completion in July, this resource needs to be drawn down early to ensure the project is not further delayed. This does not represent any change in the overall cost of the building. Instead, it reflects the Parliamentary principle of “annuality” – budgets authorised for one year lapse if the resources are not used before the end of that year, and therefore need to be authorised by Parliament again.

The purpose of the Summer Budget Revision is to seek Parliamentary approval for these changes.

The form of this supporting document

3. The remainder of this document gives more detailed supporting tables explaining the changes sought, and reconciling the revised budget to the revised overall cash authorisation. There should therefore be a clear read across from the numbers shown on the face of the Budget Act, to those in these tables, and to the revised numbers shown in the Summer Budget Revision Order itself.

Process for the Budget Revision

4. Following detailed consideration by the Subordinate Legislation and Finance Committees, the Scottish Parliament will vote on the Summer Budget Revision order.
Schedule 2.1: Total Departmental Changes for the Summer Budget Revision

<table>
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<tr>
<th>Amount of Resources other than Accruing Resources in the Budget Act</th>
<th>£000's</th>
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<table>
<thead>
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<th>Changes Proposed</th>
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<tbody>
<tr>
<td></td>
<td>74,446</td>
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</tbody>
</table>

- **of which:**
  - Additional Funding: 29,400
  - Take up of EYF: 45,046
  - Net Whitehall Transfers: 0
  - Net Transfers within Scottish Block: 0

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<th>Revised Budget</th>
<th>£000's</th>
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<tr>
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<td>Scottish Parliamentary Corporate Body</td>
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<tr>
<td><strong>Total DEL</strong></td>
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## Scottish Parliamentary Corporate Body

### Schedule 2.2: Details of Proposed Changes for the Summer Budget Revision

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<td>£000's</td>
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<tr>
<td>Take up of EYF</td>
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<td>45,046</td>
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<tr>
<td>Additional Funding for Holyrood Project</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>0</strong></td>
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<td><strong>81,120</strong></td>
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<td>Less: Retained Income</td>
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<td><strong>Net Total</strong></td>
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<td><strong>81,017</strong></td>
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</table>

- **Total Limit on Retained Income**: 103
- **Total Capital Receipts Applied**: 0
### Schedule 3.1: Scottish Parliamentary Corporate Body

**Details of Proposed Budget**

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<th>2004-05</th>
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<tr>
<td><strong>Budget</strong></td>
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<td><em>of which:</em> Administration Costs</td>
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Income to be surrendered 0
Scottish Parliamentary Corporate Body

Further Supporting Tables

Revised Overall Cash Authorisation (Total Funding Requirement)

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Reconciliation of Revised Budget to Cash Authorisation

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<th>Adjustment for Non Cash Items</th>
<th>Cash Authorisation</th>
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<td></td>
<td>Capital Charges</td>
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<td>-75</td>
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Scottish Parliament Finance Committee

Evidence of Peter Wood

11 May 2004

Introduction

I have been asked by the Finance Committee to give evidence at its meeting on 11 May. In preparing to give evidence I have focussed on Stage One of the Budget process and, in particular, the Annual Evaluation Report.

My evidence focuses on:

- The treatment objectives in the AER
- The system of Objectives and Targets
- A framework for budget assessment

Objectives in the AER

The AER discussion of Strategy and Targets replaces the five priorities and two themes of Building a Better Scotland with four challenges. The four challenges – growing the economy, delivering excellent public services, building stronger communities and revitalising democracy are more clearly “high level” or fundamental objectives than were the five sets of aims. They are also, arguably, clearer and more succinct. However, the change appears largely presentational in that most of the specific objectives found under the five priorities (and two themes) are to be found “grouped” under the four challenges. Moreover, as discussed below, the specific targets in Building a Better Scotland are replicated in the AER.

It is not, at this stage, clear that the restatement of the aims of government in Scotland will translate into a change in decisions on or allocation of resources. The link between these challenges – and the priority said to be afforded to them – and resource allocation decisions are not clear at this stage.

Objectives and Targets

In an “ideal” model the budgetary process would start from objectives and priorities which would be “translated” into desired outcomes. The Budget would specify the resources allocated to procure those outcomes. In due course, one could assess whether the public spending had produced the intended outcomes.

The Budget of the Scottish Executive, like that of every other government, is far from this ideal model. This reflects the realities of public expenditure in that:

- Public spending has multiple and complex objectives which are specified to varying degrees and which break down into a very large number of sub-objectives
- Prioritisation of objectives - e.g. transport v. education or cancer treatment against mental health - is often implicit rather than explicit and is not the result of a specific set of choices but, rather, emerges from the cumulative effects of myriad individual and ad hoc decisions
• Spending patterns in any year are very largely determined by past expenditure decisions - thus building a hospital in an area will affect spending patterns on health in that area far into the future
• Shifts in the pattern of public spending can only be fairly marginal in any year and decisions which fundamentally change spending patterns are very rare and hard to implement – one example of such a fundamental change is the expansion, over several decades, of higher education in the UK.

The concept of a baseline budget (i.e. starting from a clean sheet) is a practical irrelevance and even a budget in all expenditure is closely aligned with output targets is presently impractical. The system of objectives and targets which we observe in the Scottish Budget documents should not, therefore, be compared with an unattainable ideal but with a practical and useful model.

I discuss below what might be features of such a model but comment first on the existing system of objectives and targets. I have noted above the shift from the five priorities and two cross cutting themes of Building a Scotland to the four “challenges” in the AER. However, below that level we still find the same set of objectives and targets in AER as in BaBS.

I consider that the system of targets has very serious weaknesses. In particular:
• The targets are very variable in nature from the fairly tightly specified (e.g. every patient to have access to a member of a primary care team within 48 hours) to the vague (enable more older people to live in their own homes).
• Many targets are scarcely credible as indicators of progress against objectives. Numerous examples could be quoted but examples include the following:
  o Against the objective which includes “to encourage and support lifelong learning and to widen access to skills opportunities” the only target is an increase in the proportion of graduates in the workforce
  o The objective of promoting social inclusion through better public transport has the target of increasing “hits” on a website and increasing use of a travel enquiry line
  o Against the objective of maximising achievement in education the targets are fairly marginal changes in the proportion of pupils reaching what might be regarded as quite basic levels of achievement.
• It is not at all clear how challenging these targets are.
• Cause and effect is not always clear – some targets may be secured on the basis of secular trends (e.g. smoking levels or mortality rates) rather than as a result of spending.
• The targets are not necessarily or clearly related to activities which represent the major elements of spending or even the elements of spending which are being increased.
• Not all targets are amenable to

It is quite possible that the targets have all been carefully chosen to reflect the areas in which change and improvement are high priorities but this would have to be taken on trust. One could equally say that, at times, perusing the information on targets is like being asked to form a judgement on the performance of a car on the basis of information on only the durability of the seat fabric, the layout of the instruments and the standard of the CD player.
A Way Ahead

As stated above, there is no point in recommending the adoption of an impractical ideal for the Budget planning and reporting system. However, I suggest that a possible structure for the AER (and other elements of the Budget Process) might involve, for each major spending area – i.e. Health, Education - the following:

- A statement of the basic aims of the overall spending programme (this is generally done already)
- Some basic but robust data on output, cost per unit output and productivity (e.g. number of patients (by type) treated, cost per patient, kilometres of road built, student and qualification awards)
- A statement of the funding required in the forward period to maintain the level of output given cost increases, productivity changes etc.
- Detail of and rationale for any shift within budgets from one activity to another or, indeed, for reductions.
- Details of additional resources required to achieve specified high level objectives (e.g. to improve the rail system or to increase skills levels in the workforce)
- Specification of targets to be used to measure progress against objectives related to areas of “new” or additional spending as defined above.

This framework would suggest two main thrusts for the regular Budget Scrutiny process:

- Is the use of public resources becoming more or less efficient?
- Has the case been made for increases in or shifts in or reductions in public spending and how are the effects of these changes to be monitored and assessed?

None of this would rule out more searching reviews of specific spending areas and programmes which did adopt a “zero baseline” approach but these would not be routine.
Finance Committee

15th Meeting 2004 – Tuesday 11 May 2004

Emergency Workers (Scotland) Bill: Financial Memorandum
Written Submissions

1. In order to assist the Committee in its consideration of the Financial Memorandum of the Emergency Workers (Scotland) Bill, written submissions were requested from the following organisations:

   - Scottish Court Service
   - Crown Office and Procurator Fiscal Service

2. The correspondence received is attached below.

Terry Shevlin
May 2004
SUBMISSION FROM SCOTTISH COURT SERVICE

Thank you for your letter inviting John Ewing to submit written evidence to the Finance Committee in respect to the above. As Mr Ewing has now moved I am replying on behalf of the Scottish Court Service.

As the Bill introduces a new category of offence it is in my view that it will have no financial implications for Scottish Court Service.

Alan Swift
Acting Chief Executive

SUBMISSION FROM CROWN OFFICE AND PROCURATOR FISCAL SERVICE

Thank you for your letter of 22 April 2004 in which you invite written evidence from the Crown Office and Procurator Fiscal Service on the Financial Memorandum of this Bill.

The provisions in the Emergency Workers (Scotland) Bill introduce two new offences of assaulting, obstructing or hindering emergency workers or those assisting them in certain situations. Assault is an offence at common law and behaviour that would be caught by this aspect of the Bill’s provisions would at present be capable of prosecution under existing law. While obstruction or hindrance of emergency workers are not specific offences at common law, this type of behaviour would normally constitute a different common law offence, such as breach of the peace, or in the case of police officers and fire-fighters, might amount to an existing statutory crime.

We accordingly anticipate that there are likely to be few, if any, additional prosecutions as a result of the Bill’s provisions. We are satisfied that the Crown Office and Procurator Fiscal Service is capable of meeting any consequential costs from existing resources.

Robert Gordon