FINANCE COMMITTEE

AGENDA

19th Meeting, 2004 (Session 2)

Tuesday 15 June 2004

The Committee will meet at 10.00 am in Committee Room 2 to consider the following agenda items:

1. **Items in private:** The Committee will decide whether it wishes to consider item 4 in private and whether it wishes to consider its draft report on the Financial Memorandum of the Prohibition of Smoking in Regulated Areas (Scotland) Bill in private at its next meeting.

2. **Budget Process 2005-06:** The Committee will consider an approach paper for handling Stage 2 of the Budget Process 2005-06.

3. **Cross Cutting Expenditure Review on Economic Development:** The Committee will consider its approach to gathering evidence in phase two of the review.

4. **Budget Process 2005-06:** The Committee will consider a paper by the Clerk in relation to the Budget Adviser’s work on targets.

5. **Budget Process 2005-06 (in private):** The Committee will continue its consideration of its draft report.

6. **Inquiry into the Relocation of Public Sector Jobs (in private):** The Committee will continue its consideration of its draft report.

Susan Duffy
Clerk to the Committee
The papers for this meeting are:

**Agenda Item 2**

Paper by the Clerk

**Agenda Item 3**

Paper by the Clerk

**Agenda Item 4**

PRIVATE PAPER

**Agenda Item 5**

PRIVATE PAPER

**Agenda Item 6**

PRIVATE PAPER – to follow
Finance Committee

19th Meeting 2004 - Tuesday 15 June 2004

Budget Process 2005-06 – Approach Paper for Stage 2

Background
1. Following the results of the UK Spending Review, the Executive will publish its spending proposals for the next three years in September. This will be followed by the publication of the Executive’s Draft Budget. Two years ago, the document containing the Executive’s spending proposals – “Building a Better Scotland” (BABS) was published on 12 September 2002. Due to the effect of the UK Spending Review, the Draft Budget was not published until 31 October 2002.

2. The following proposals for the Committee’s approach to Stage 2 of the Budget Process assume that the timescale for publication will be broadly similar this year.

Approach to Stage 2
3. As in previous years, the Committee’s Budget Adviser will produce a paper on the Spending Review 2004, guidance for subject committees and a paper on the Draft Budget itself if time permits. The debate on the Committee’s report usually takes place around the middle of December and therefore, it is likely that the report will need to be published in the week beginning 6 December.

Evidence
4. Given the relatively tight timescale within which the Committee has to operate, it is suggested that the Committee holds 2 formal evidence sessions. In addition to this, the Committee would take evidence from the Minister toward the end of the process. **Members may wish to suggest potential witnesses for these evidence sessions.**

External Meeting
5. In addition to the formal evidence sessions, it is suggested that the Committee would hold an external meeting to enable it to take evidence from local organisations and group who traditionally would not have an opportunity to contribute evidence to the budget process. Depending on the Committee’s workload, it may have to schedule in an additional Committee meeting (as happened in 2003) to facilitate this external meeting.

6. The previous Finance Committee met in the following locations: Orkney, Skye, Kirkcudbright and Perth and this Committee has met in Motherwell.

7. Previously, the Committee has set up workshop session with various organisations. The workshops aimed to provide an insight into how national priorities and spending plans impact on the local area, and the
level of engagement that local organisations have with the budget process. Members have been assigned to workshops which meet informally and have the support of a clerk. A member is then appointed to report back to the Committee once it reconvenes on completion of the workshop.

8. The Committee is invited to agree whether it wishes to hold an external meeting, to agree either a specific location or geographic area and to indicate whether it wishes to have a format similar to that used for previous external meetings.

Subject Committee Reports
9. Subject Committees are usually asked to forward their report in time for the Budget Adviser to produce a summary paper for discussion at a Committee meeting. This means that committees have limited time to gather evidence and to write their report. In addition at the time of the previous spending review, most committees were only able to comment on the overall allocations of money to portfolios as more detailed information is included in the Draft Budget and this was not published until 31 October.

10. The situation is likely to be similar this year. It should also be noted that the Draft Budget will respond to those committees which made spending recommendations.

11. It is suggested that to allow subject committees more time to finalise their report that they are asked to produce it prior to the Finance Committee’s draft report being written and considered. At the moment, committees send their reports in time for the Finance Committee’s adviser to produce a summary paper for discussion at a Committee meeting prior to the drafting of the Committee’s budget report.

12. If members agree to this suggestion, then the Budget Adviser would summarise subject committee reports, but in the Finance Committee’s draft report. This would mean that the Finance Committee would discuss the subject committee reports when discussing its own report. However, it would give subject committees a least a further week to complete their work.

13. The Committee is invited to agree whether it wishes to deal with subject committee reports in this way.

Timetable
14. The following timetable illustrates how all of the above would work in practice. Should the publication of any of the budget documents be delayed, then the timetable would need to be revised.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Tuesday 21 September</td>
<td>Paper from Budget Adviser on Spending Review 2004</td>
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<td>Tuesday 28 September</td>
<td>Agree guidance for subject committees</td>
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<tr>
<td>Tuesday 26 October</td>
<td>Evidence session</td>
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<tr>
<td>Tuesday 2 November</td>
<td>Evidence session</td>
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<tr>
<td>Tuesday 16 November (or an extra meeting on Monday 15 November)</td>
<td>External meeting with workshops and evidence from the Minister</td>
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<td>Wednesday 17 November</td>
<td>Deadline for subject committee reports</td>
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<tr>
<td>Tuesday 30 November</td>
<td>Consider draft report</td>
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<tr>
<td>Tuesday 7 December</td>
<td>Consider draft report</td>
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In addition, consideration of and evidence on the SPCB’s budget will have to be factored into the timetable as will consideration of the Scottish Commission for Public Audit’s report on Audit Scotland’s budget proposals.

Susan Duffy
Clerk to the Committee
Finance Committee

19th Meeting 2004 - Tuesday 15 June 2004

Cross Cutting Expenditure Review on Economic Development

Background
1. At its meeting on 25 May 2004, the Committee agreed to appoint Peter Wood as its adviser on the above inquiry. Approval has subsequently been given by the Parliamentary Bureau.

Purpose
2. This paper sets out a possible approach that the Committee could take to its inquiry, including suggestions from whom written evidence could be sought and a draft timetable.

Remit
3. The remit of the inquiry will be to consider whether the level and structure of government spending on economic development in Scotland and its share of overall government spending in the period of devolved government has been appropriate in the light of:
   1. The identification of economic development as the priority of the Scottish Executive
   2. The challenges and opportunities facing the Scottish Economy
   3. The state of knowledge of factors influencing economic development and of the theory of economic development
   4. Evidence on the effectiveness of expenditure on economic development and on activities supportive of economic development.

4. The committee commissioned a report from Peter Wood which analysed the structure and level of spending on economic development in Scotland since devolution. That paper divided spending on economic development into “primary spending” and “support spending”. The paper concluded that primary spending on economic development had grown more slowly than other categories of spending over the period of developed government and that growth within that category of spending had been largely confined to spending on tourism and on rural economic development.

5. Support spending was shown to have grown at a rate close to that of the overall budget. Within the category support spending, the most rapid growth had been in central government spending on schools and on transport (especially public transport). Expenditure on Higher and Further Education had grown relatively slowly.

6. Specific issues which the committee may wish to consider within the inquiry include:
   - Whether the overall level and growth of primary spending on economic development has been appropriate.
• The balance between spending on activities which benefit mainly rural areas and other activities.

• The measurement of the output and impacts of the budgets of the development agencies (SE and HIE).

• The degree to which economic development considerations and priorities are reflected in decisions concerning the level and nature of support spending (i.e. expenditure on transport and higher and further education).

• What efforts have been made to assess the economic development impacts of spending on items such as higher education and public transport.

• How far the balance of expenditure between the components of primary and support spending – e.g. between development agency activities and higher education and transport - matches economic development needs and priorities.

Written Evidence
7. If the Committee agrees to the above remit, then it is suggested that in addition to publishing a general call for evidence, that the following organisations are approached to make written submissions:

- Scottish Enterprise
- Highlands and Islands Enterprise
- VisitScotland
- Federation of Small Businesses
- Scottish Chambers of Commerce
- Confederation of British Industry
- Institute of Directors
- The Scottish Council Development and Industry
- Scottish Business in the Community
- Forum of Private Business
- STUC
- The Scottish Universities
- The Fraser of Allander Institute
- The Economics Departments of the main Scottish Financial Institutions (RBS, TSB Scotland, HBOS, Clydesdale, Standard Life, Scottish Widows)
- Scottish Urban Regeneration Forum
- Scottish Business in the Community

Oral Evidence
7. It is anticipated that written evidence will be submitted during the summer recess and that when Parliament reconvenes, the Committee will have the opportunity to discuss all submissions which it has received
and, on the basis of these submissions, consider from whom it wishes to take oral evidence.

8. In the timetable below, three oral evidence sessions have been scheduled. However, the Committee may decide that it wishes to hold further additional sessions when it reviews the written submissions. If additional sessions are to be factored in, then the subsequent timetable will be altered accordingly.

9. Members should be aware that during October and November it must scrutinise the Executive’s Spending Review and Draft Budget and that its report must be completed by early December. Additionally, it is likely that there will be legislation which the Committee will also wish to scrutinise and on which it will take evidence.

**Timetable**

10. Below is a suggested timetable:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Tuesday 14 September</td>
<td>Cross-cutting review on Economic Development – consideration of written evidence and decide on witnesses to give oral evidence</td>
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<tr>
<td>Tuesday 26 October</td>
<td>Cross-cutting review on Economic Development – 1st oral evidence session</td>
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<td>Tuesday 2 November</td>
<td>Cross-cutting review on Economic Development – 2nd oral evidence session</td>
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<td>Tuesday 9 November</td>
<td>Cross-cutting review on Economic Development - 3rd oral evidence session</td>
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<td>Tuesday 23 November</td>
<td>Cross-cutting review on Economic Development – discussion of emerging issues</td>
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<tr>
<td>Tuesday 11 January</td>
<td>Cross-cutting review on Economic Development – consider draft report</td>
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<tr>
<td>Tuesday 18 January</td>
<td>Cross-cutting review on Economic Development – consider draft report</td>
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<tr>
<td>Tuesday 25 January</td>
<td>Cross-cutting review on Economic Development – consider draft report (if necessary)</td>
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**Recommendations**

11. The Committee is invited to agree:

- The remit, general methodology and schedule outlined above; and
- The list of bodies and organisations from whom the Committee will seek written evidence

Susan Duffy
Clerk to the Committee

Peter Wood
Adviser to the Committee