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

1. **Budget Process 2005-06:** The Committee will consider papers by the Budget Adviser on the Draft Budget and the Guidance to Subject Committees.

2. **Budget Process 2005-06:** The Committee will take evidence from—

   Ailsa McKay; Irene Graham; and Kay Simpson, Scottish Women’s Budget Group.

3. **Scrutiny of Financial Memoranda:** The Committee will consider a paper regarding the Committee’s approach to scrutinising the Financial Memorandum of the Further and Higher Education (Scotland) Bill.

4. **European Issues:** The Committee will consider a paper by the Clerk on how to handle European issues which fall within its remit.

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

**Agenda Item 1**

Web link - [Draft Budget](#)

PRIVATE PAPER – Published as public paper on morning of meeting

PRIVATE PAPER – Published as public paper on morning of meeting

**Agenda Item 2**

Written submission from Scottish Women’s Budget Group

Supplementary paper published after the meeting

PRIVATE PAPER

**Agenda Item 3**

Paper by the Clerk – Scrutiny of Financial Memorandum

**Agenda Item 4**

Paper by the Clerk – European Issues
Finance Committee  
26th Meeting 2004 – Tuesday 26 October 2004  

Budget Process 2005-06 - Written Submission from the Scottish Women’s Budget Group

Background
The overall aim of SWBG is to promote a gender aware approach to budgeting within a Scottish public policy context. SWBG brings together women from academia, local communities, business and the statutory and voluntary sectors. Engender, Glasgow Caledonian University, the Equal Opportunities Commission and Oxfam GB support the work of the group.

Many countries have embraced the concept of a gender aware approach to budgeting and there is now a substantive body of literature detailing the nature of country specific initiatives and the various tools and mechanisms that have evolved. Work at a Scottish level features prominently in this literature and significant interest has been expressed from an international audience in drawing upon the Scottish experience. Up until recently the Scottish Executive and Parliament had received considerable international recognition for their efforts to secure a gender aware approach to budgeting. Members of the SWBG have been directly involved in advising and working with various agencies and national governments in the area of gender budgeting. This includes advising on pilot projects initiated by the Irish Government, the UK Treasury, the Basque government and the Nordic Council of Ministers, as well as providing case study materials and expertise to international agencies such as UNIFEM and the Commonwealth Secretariat. An SWBG member recently took part in a gender budget initiative to provide expertise to organisations in Yemen. Participation in a recent Oxfam Gender Budget Initiative in South Africa provided SWBG with valuable expertise regarding methods and tools that could be adapted and applied in a Scottish context.

Comments on the Draft Budget 2005-06
In preparing this submission SWBG notes with considerable frustration and disappointment that the Draft Budget 2005-06 contains very little evidence of the Executive’s progress in developing a gender sensitive approach to the national budget.

Although at the outset ‘Equality’ is outlined as one of the four crosscutting themes, it is subsequently described as ‘a crucial aspect of closing the opportunity gap’ (pg2). Each portfolio chapter contains details of how specific budgetary allocations will deliver on the four cross cutting aims. However, the promotion of equality is not addressed in its own right but rather is presented alongside discussion of closing the opportunity gap. This indicates that issues relating specifically to gender inequalities are to be tackled within the context of targeting resources at those identified as the most disadvantaged. This approach is not in line with an overall mainstreaming agenda.
The failure to prioritise the promotion of gender equality is further demonstrated in the whole range of portfolio spending in that there is a distinct lack of gender specific targets. A notable exception to this is the target outlined within the Scottish Executive Administration and Associated Departments portfolio to increase the % of women in senior positions within the civil service. Although reference is made to women in terms of domestic violence and women in enterprise there is a lack of specific targets that could be referred to in terms of monitoring progress in these areas.

SWBG are aware that the Scottish Executive has undertaken a gender impact analysis of policy in several areas, yet this information is not being used to secure gender equality and economic efficiency. For example the Scottish Executive's Central Research Unit's gender auditing checklist entitled Women and Transport: The Way Forward was designed to ensure that the process of developing transport policy, its implementation and the services provided take full account of the travel needs of women in Scotland\. However there is little evidence in the transport portfolio that this checklist has been used to ensure funding is targeted to promote gender equality and economic efficiency in transport provision.

The Draft Budget 2005-06 therefore indicates the Executive’s failure to take action in promoting gender equality. Locating gender equality issues within the context of the cross cutting theme ‘closing the opportunity gap’ provides evidence that the Executive is not taking action to systematically consider the needs and position of women in Scotland. Given the Draft Budget reflects the Executive’s overall policy priorities and the range of measures to be supported in terms of working towards those priorities, SWBG are extremely disappointed to note that the neglect of gender issues across all spending departments demonstrates a distinct lack of progress in mainstreaming equality. There is clearly a need for departments to undertake considerable capacity building to ensure that gender is effectively mainstreamed and that officials fully understand how patterns of spending allocation and distribution are key in delivering on gender equality.

‘Growing Scotland’s Economy’ – the relevance of gender
At several points in the Draft Budget reference is made to the explicit goal of raising awareness of the gender pay gap and taking action to reduce such. However there is little evidence of actual policy initiatives specifically targeted at meeting these goals. For SWBG this lack of follow through demonstrates a failure on behalf of the Executive to commit resources to meet their stated aim. The practice of allocating resources across the Executive’s programmes remains gender blind resulting in policies that will fail with specific reference to promoting efficiency gains.

Issues relating to women’s employment and rates of pay are not just about social justice but have as much to do with the efficient functioning of a market based economy. The Draft Budget explicitly states that improving productivity

1 http://www.scotland.gov.uk/library5/transport/watg-00.asp
levels within Scotland is a key priority. Lower rates of productivity growth, compared with our European partners, have been identified as a mitigating factor in the determination of overall economic performance. Women in Scotland are:

- under-represented in higher echelons of most businesses;
- concentrated in the lowest paid and low skill level occupations; and
- earning 16% less than men in average hourly earnings (a figure that rises to 37% for part-time workers, in 2002 42% of women in employment worked part time).

Gender segregation in employment contributes to sustaining the gender pay gap and to sustaining women’s poverty:

- Women have interrupted work-histories and have to work in lower paid jobs to accommodate their family commitments.
- The two groups most at risk of poverty, lone parents and single pensioners, are predominately women.

Understanding and addressing the gender pay and productivity gaps should therefore feature as a key aspect of any strategy aimed at promoting economic growth.

Why the budget?
Gender responsive budgets should not be viewed in terms of separate budgets for women or increasing funding for women specific programmes. Rather gender responsive budgeting is a way to ensure spending plans will effectively and efficiently deliver policy objectives. Gender relations are key in determining the impact and outcomes of public policy interventions. The different roles, experiences, responsibilities and resources of women and girls compared to men and boys impact on the way that women and men access opportunities and services. Failure to account for this throughout the policy process will sustain, and may exacerbate, existing gender inequalities and will have a resulting negative impact on economic efficiency. A gender sensitive analysis ensures that adequate account is taken of gender as a significant influencing variable in the determination of policy outcomes.

Consideration must also be given to the fact that in a market based economy women are relatively disadvantaged in terms of access to resources, which is largely due to their greater responsibilities in reproductive and care work. The actual operation of the market and its underlying social norms serve to promote the practical needs and strategic interests of men over those of women. Gender responsive budgeting would thus aid in the process of developing an awareness of the nature and consequences of gender based inequalities and in taking action to address such.

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2 information provided by the Scottish Poverty Information Unit
The Need for Action

• The Scottish Executive recognised the benefits of producing a gender responsive budget in 2000, indicating that this was an essential component of the Executive’s overall objective to mainstream equality throughout the public policy process and set up the Equality Proofing Budgets and Policy Advisory Group to progress with this agenda. Research previously undertaken for the group notes the Finance Department’s key role in implementing the measures required to produce a gender responsive budget. Though the Finance Department were previously actively engaged with the work of the group SWBG is disappointed and concerned regarding the distinct lack of evidence that the Finance Department is allocating the resources necessary to take this work forward.

• The UK Government has recently launched a White Paper on the imminent Commission for Equality and Human Rights (CEHR), which sets out the government’s action on a proposed public sector duty to promote sex equality. The duty will oblige public sector bodies to ensure that their actions will promote equality of opportunity between women and men and make public services more responsive to their different needs.

• At the Finance Ministers meeting of Commonwealth Countries in September 2002 Ministers noted the role of gender responsive budgets in promoting ‘efficient and equitable economic development’.

• At a recent business summit organised by the Equal Opportunities Commission the Scottish Deputy First Minister acknowledged the urgency of gender equality in securing economic development and prosperity. Within this context, it is essential that positive steps are taken to ensure that the process of resource allocation in Scotland is assessed with reference to gender equality.

The crucial role of the Finance Committee

The role of Finance Committee in overseeing the budget scrutiny process is considered key in progressing with a gender sensitive approach to budgeting in Scotland. Guidance issued by the Finance Committee of 2000 proved effective in gaining the commitment of Ministers to produce baseline data disaggregated by gender, a necessary component in facilitating effective evaluation of how spending plans impact on gender equality. We hope as a result of our evidence that the Finance Committee will issue guidance to the subject committees recommending that they scrutinise the relationship between spending plans and gender equality within their remit.

SWBG believe that the Finance Committee could play an important role in ensuring the subject committees develop capacity with respect to understanding the nature of gender inequalities that exists within their area of

scrutiny, and how patterns of spending allocation impact on such. SWBG therefore recommend that the Finance Committee resource a series of initiatives aimed at providing the various subject committees with the information they need to aid them in this task. SWBG would suggest that this should include producing guidance that highlights the key issues that contribute to sustaining gender inequality in specific areas in each portfolio. This information would assist the committees in determining how spending should be used to address gender inequality and economic inefficiency. SWBG have produced guidance to assist the committees in the past and would be happy to share their expertise in this area with the Finance Committee.

Scottish Women’s Budget Group
October 2004
Finance Committee

26th Meeting 2004 – Tuesday 26 October 2004


1. This report highlights a number of key issues to inform the Committee’s scrutiny of the Draft Budget in Stage 2 of the Budget Process. It concentrates on issues of strategy and co-ordination, leaving detailed consideration of portfolios to subject committees.

2. Tables 1 and 2 in the annexe to this report show, respectively, TME by portfolio for 2004/5 – 2005/6, and DEL by portfolio for 2004/5 – 2005/6, and the changes between the two years.

3. The format of the Draft Budget clearly reflects recommendations made by the Committee in the past. Each portfolio chapter sets out its priorities; identifies the plans for allocating new resources; states its objectives and targets; and highlights its contribution to the three cross-cutting issues.

4. On a personal level, I am pleased with the progress made in the provision of information, the reduction in the number of targets, their clearer focus on outputs and outcomes, the inclusion of an explanation for the revised targets and the formalisation of Executive responses to Committees’ Stage 1 reports in the documents. This helps transparency and continuity. My overall view is this is the most coherent budget document I have seen since my involvement in these matters in 2001. It is important to record this progress. It means the Committee can concentrate more on the resource allocation decisions and less on the inadequacy of information than in previous years.

Budget Strategy

5. The Draft Budget reaffirms the Executive’s commitment to the general budget strategy set out in BABS II. Members will recall my concern that whilst economic growth is a strategic issue which can be used as a wider policy criterion for budgetary allocations, the other three challenges – improved public services, strengthening communities and renewing democratic governance – were too general to be of much use as a guide to choosing between budget options.

6. These three challenges are not mentioned at all in the preamble to the budget proposals. Rather, the emphasis falls on three cross-cutting aims: growing the economy; closing the opportunity gap and equality; and sustainable development.

7. As I have reported previously, sustainable development operates more as a principle and cost factor within spending proposals rather than as a focus of specific spending proposals. BABS identified only two projects, costing £28m, as directly targeted on sustainable development. (It also
identified some £714m of public transport expenditure as supporting sustainable development. This also contributes to transport and opportunity objectives.)

8. The pattern of spending increases for 2005-06 is broadly similar to the three year plans discussed in BABS II. The health, transport, education and young people, and tourism, culture and sport portfolios all receive relatively big increases. However, the increase for capital spending is below average at 4.3%, with the big increases planned from 2006-07.

9. Otherwise, spending on programmes which support economic development, such as lifelong learning, tourism, transport, rural development and fisheries all received significant increases. The major exception is the spending of the enterprise networks, which the Draft Budget reports “will maintain resources allocated them”. As this is the only programme which directly promotes economic development, the Committee may wish to pursue this issue during the scrutiny process.

10. Local Government has had a very low increase in comparison with other services. Local government is responsible for about 30% of the budget and is the main provider of services along with health boards. The local government increase is lower than that planned for England in 2005-06 (and also over the rest of the Spending Review cycle). Its share of the Scottish Budget has fallen consistently since devolution, although its grant levels have increased in real terms. Council tax increases have averaged 4.8% per annum since 1999, compared with 9.2% pa in England and 9.6% pa in Wales.

11. Since the Committee last met, the Executive has publicly stated a target of a 2.5% increase in council tax for each of the next three years. However, local authorities had previously returned indicative plans for an average increase of 4.4% for 2005-06 on the basis of current grant assumptions. The key factor in Local Government funding is the level of grant. Council tax yield does not rise automatically with inflation, and if the Executive wishes council tax to increase in line with inflation, then it should increase grant to meet the costs of inflation over the baseline, and to meet the cost of any growth in services. The Draft Budget lists five additional developments in service funded for 2006-07 and 2007-08, but does not cost these individually (paragraph 149). The Committee may wish to ask the Minister for individual costings in order to assist budget scrutiny.

12. Another point of interest is the composition of Aggregate External Finance (AEF). The overall increase of 3.8% is in part a reflection of an accounting transfer to Communities. The increase is 4.6% if this is included, compared with the Scottish average of 6.7%. Within AEF, the RSG element will grow by only 2.3%, whilst NDRI income will grow by 7.2% - reflecting a growth in the tax base rather than rate poundages, which are linked to inflation.
13. One final point is that a key factor in the big growth for education and young people is an accounting change for grants for school building/PPPs. This amounts to £108m over the AER figure, whose increase was only 4.8% for 2005-06.

14. Finally, I would note that the Draft Budget now contains a formal estimate of capital expenditure funded through PPP (Table 0.06) and a table of annual PPP payments is also included (Table 0.07). These suggest that capital spending on PPP projects is now in decline, falling from £178m in the current year to £58m in 2005-06 and to £6m thereafter; whilst total payments will increase by above 5% in real terms in 2005-06 and remain broadly stable in real terms thereafter. There have been two bidding rounds in recent years (1998 and 2001) and it would be useful to investigate whether there are any plans for a further bidding round.

Cross-cutting themes
15. In general, my view is that this Draft Budget provides a more systematic analysis of cross-cutting themes than its predecessors and that the Education and Young People, Health, Transport and Communities portfolios’ consideration of these topics was clear and helpful.

16. In a few cases, departments were prone to claim that simply delivering their core functions advanced cross-cutting themes, a view I would certainly challenge. What is required for this is clear and specific benefits from departmental provision to the cross-cutting issues. It is not enough to suggest, as recurs across the document, that a portfolio’s specific functions help to ‘create the necessary climate and confidence’ for economic growth. I was particularly unconvinced by inferences that reducing crime rates and swift prosecution of crime were directly linked to economic growth.

17. Similarly, I was not convinced that simply developing capacity in educational provision has a significant economic impact, whilst increasing affordable childcare has had an immediate effect.

18. Similar problems can be identified in discussions of contributions to Closing the Opportunity Gap. General developments of arts, culture and sport will not in themselves close opportunity gaps between disadvantaged groups/areas and the Scottish average. Specific examples as listed on pages 44 and 45 (e.g. Greater Easterhouse Cultural Campus) by contrast clearly do target disadvantaged communities.

19. In the Health Portfolio, the paper sets out health inequalities targets on a range of indicators for deprived communities. However, we are not told either how it will monitor and report on how health boards target deprived communities with additional resources, nor if there is a strategy for tackling inequalities in non-deprived communities – where disadvantaged households can still be found. Likewise, I found it difficult to understand
how “improving food labelling to allow consumers to make improved choices” would close the opportunity gap.

20. The inference of such general arguments appears to be that disadvantaged households have greater dependency on public services, therefore any general development benefits them (see Finance Chapter page 151). In practice, research shows that higher socio-economic groups make greater use of the main public services, particularly health and education. It cannot simply be assumed that “ensuring that services are responsive to the needs of all Scottish communities” or improved “quality of life for everyone” (page 61) – valuable as these developments are – can necessarily be construed as closing the opportunity gaps.

21. The Finance Chapter reveals the continuing confusion in the Executive’s position over the block grant to local government. It appears that the “mainstream work and expenditure of the portfolio contributes directly or indirectly to growing Scotland’s economy” (page 150) but leaves the discussion of this £8 billion to the relevant subject Portfolio, e.g. on education and transport, and concentrates on smaller programmes (around £400m) under its control. Several of these are presented as contributions to all three cross-cutting issues. It then goes on to argue that through its planning and monitoring role, it will contribute to closing the opportunity gap by ensuring local authorities and the NHS will deliver the “greatest benefit to those most dependent on public services” and ensure “that services to disadvantaged communities are not of lower quality” (page 151). However, in its reply to the Committee’s representations on the blurring of accountability in local government and the NHS, it repeats the view that how the RSG is spent is “a matter for local authorities to decide”. This seems inconsistent, and it is difficult to see how resource allocation can be both a matter of local discretion and subject to monitoring to ensure it meets the Executive’s priorities. The Committee may wish to explore this further in the scrutiny process.

22. Progress with cross-cutting issues therefore remains problematic for block grants. Progress has been made by highlighting funding on key programmes which are targeted directly on the cross-cutting themes. Nearly £1 billion is highlighted in this way across portfolios, which amounts to around £800 per head additional funding targeted on the poorest households in Scotland. However, we still cannot tell how the two major budgets – health and local government – with a combined spend of nearly £17 billion (68% of the budget) directly target additional funding in this way. Last year, the then Finance Minister argued it was more important to focus on outputs than inputs (although a budget is requested to approve spending on inputs), but from the targets contained in the Finance portfolio, the attempt to agree five or six outputs with local government through Local Outcome Agreements has not yet succeeded.

Objectives and Targets
23. My final set of comments relate to the revised set of objectives and targets. These were revised for the new Spending Review and most of the
targets which the Committee has asked to be dropped have been. Members should be clear that the new targets are for the SR2004 period only. Those set in SR 2002 will be reported to the Committee sometime after the end of the current SR period which ends in 2006.

24. In general – as noted earlier – the package of objectives and targets is now more focussed on outputs and outcomes than its predecessors from previous Spending Reviews. There are two major problems however. The first refers to the absence of a target for economic growth. The Executive’s response to the Committee’s concern is that it does not wish to set a target for growing the economy – as the economy “is heavily influenced by economic performance worldwide, and the global economic cycle. It would not be credible to claim specific changes in GDP were directly linked to specific Executive spending.” (P181).

25. Personally, I agree that it is wrong to set targets which cannot be directly linked to specific Executive spending. Strategic targets of this kind are also influenced by Executive policy, guidance and regulation, and the activities of other tiers of government, especially the UK, which has responsibility for the management of the economy – and the impact of a whole range of economic factors and organisations.

26. The problem is that this argument would also apply to other key strategic targets such as poverty or health status. In the then Finance Minister’s parliamentary statement on 29 September, it was stated that, “we have made a difference: 150,000 Scottish children have been lifted out of poverty since 1999: we have reduced mortality rates for cancer by 4%; for strokes by 14%; and for coronary heart disease by 21%” (OR, column 10665).

27. These statistics are welcome, but neither can be wholly attributed to Executive spending. The poverty gain reflects changes in benefits and tax credits in central government, as well as Executive action to assist families into work. The health gains will have been influenced by Executive spending, but also by external lifestyle factors and improvements in medical practices. This was highlighted in the recent overview report by the Auditor General which reported that, “health outcomes have improved continuously since the NHS was established” (Audit Scotland, August 2001, p35), and that there is a need to tackle “significant gaps in data provision” to ensure that “increases in spending in the NHS are leading to better outcomes and services for patients” (p4).

28. Given that this issue has been raised previously by the Committee, members will no doubt wish to raise with the Executive, why, given its approach to the budget, it would choose a top budget priority for which it cannot set a target. Indeed, despite its clear objective of “raising the long-term sustainable growth rate of the Scottish economy” (p79) neither the Draft Budget nor the recent review of FEDS (Scottish Executive 2004) set out current performance on economic growth as a benchmark. The Committee may wish to explore this further in the scrutiny process
and also in its forthcoming review of the practice of setting performance targets.

29. The local government targets in the Draft Budget refer to efficiency savings, quality of life improvement and take-up of online access. There are no targets set for improved outcomes for the main local authority services (education, police, social work, roads) although each of these services is earmarked for additional funding (p149). In the absence of specific funding data for these main services, it is impossible to assess whether the assumptions are robust, or monitor resources from such spending. Some targets are set in other portfolios – which do not have the budgetary responsibility. My own view is that responsibility for policy, funding and targets must be clearly integrated to ensure transparency.

Conclusion
30. This paper consists of “selected highlights” for consideration by Members. No doubt others will arise in discussion. Whilst I have concentrated on the problem areas, there is much to welcome in the document, which offers improved targeting of resources, fewer and more robust performance targets for monitoring performance, and reflects to a considerable extent the discussions held with the Executive on these matters.

Professor Arthur Midwinter
Budget Adviser to the Finance Committee

References
“Overview of the National Health Service in Scotland 2000/2001, Audit Scotland, August 2001
### ANNEXE 1

**TABLE 1**

<table>
<thead>
<tr>
<th>TME by Portfolio (£m)</th>
<th>2004-05</th>
<th>2005-06</th>
<th>% Change</th>
</tr>
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<tr>
<td>1. Justice</td>
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<td>5.3</td>
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<tr>
<td>2. COPFS</td>
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<td>93.5</td>
<td>4.8</td>
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<td>545.1</td>
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<td>4. Health</td>
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<td>8789</td>
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</tr>
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<td>5. Tourism, Culture and Sport</td>
<td>232.9</td>
<td>267.1</td>
<td>14.7</td>
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<td>6. Food Standards Agency</td>
<td>9.6</td>
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<td>7. Enterprise and Lifelong Learning</td>
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<td>2659.5</td>
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<td>12. CMF</td>
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<td>13. Administration</td>
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<td>14. Scottish Parliament and Audit Scotland</td>
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<td>103.7</td>
<td>-12.4</td>
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<td>15. Capital Fund</td>
<td>58.4</td>
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<td>-82.9</td>
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**Total**                                  | **25,520** | **27,239** | **6.7** |
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<th>TABLE 2</th>
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<td><strong>DEL by Portfolio</strong></td>
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<td>1. Justice</td>
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<td>2. COPFS</td>
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<tr>
<td>3. Education and Young People</td>
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<td>4. Health and Community Care</td>
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<td>9. Transport</td>
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<td>10. Environment and Rural Development</td>
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<td>15. Contingency Fund</td>
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Finance Committee

26th Meeting 2004 – Tuesday 26 October 2004

Budget Process 2005-06 - Draft Guidance to Subject Committees

1. In this second stage of the budget process, subject committees are asked to consider and report on the Executive’s detailed spending proposals for their areas of responsibility.

2. The new Draft Budget for 2005-06 is in a revised format, to reflect the modifications to the budget process agreed with the Executive. The AER presented the Executive’s reconsideration of budget strategy and priorities, whilst Building a Better Scotland (BABS II) announced its broad spending plans for the next three years, after reflecting on the Parliament’s recommendations in the Stage 1 reports.

3. The Draft Budget format reflects previous recommendations made by the Finance Committee: each portfolio chapter sets out a statement of priorities and proposals for use of additional resources; a new set of objectives and targets; and highlights its contribution to cross-cutting targets.

4. The reduction in targets reflects the recommendation from the Finance Committee to remove the 63 process-based targets to concentrate on measures for output and outcomes, or the targets are revised and updated in the light of the Partnership Agreement. However, the Executive will provide a further report on targets adopted in Spending Review 2002 in due course. In addition, given the recognition of the centrality of the biennial Spending Review to the resource allocation, the Finance Committee has proposed that in an “interim year” (i.e. 2006-07) it should require the Executive only to report progress with committee recommendations and any changes to the indicative allocations in BABS II.

5. This year’s consideration of Stage 2 should therefore be less intensive than previous years, as recommendations on priorities were made in Stage 1. The Finance Committee would welcome responses from subject committees to the following key questions:

   - Is the Committee content with the Executive’s response to any spending recommendations it made at Stage 1?
   - Is the Committee content with the Executive’s response to other budgetary issues raised by it at Stage 1?
   - Is the Committee content with the revised statement of portfolio priorities, objectives and targets for its area?
   - Is the Committee content with the Executive’s highlighting of its portfolio’s contribution to the wider cross-cutting priorities of growing the economy, closing the opportunity gap, and sustainable development?
Is there any other budgetary matter the Committee would wish to draw to the attention of the Finance Committee?

Does the Committee want to make any comment on the efficiency target set for its portfolio by 2007-08?

What written evidence is available to the Committee, and from which individuals and organisations did it take evidence?

Professor Arthur Midwinter
Budget Adviser to the Finance Committee
Dear Emma

**Stage Two, Budget Process 2005 –06: Evidence presented to Finance Committee by SWBG - Follow up questions**

I refer to your letter dated 28th October to Kay Simpson, Scottish Women’s Budget Group. As you are aware Kay is no longer the Parliamentary Liaison Development Officer and I am therefore replying, on behalf of the Scottish Women’s Budget Group, to the questions raised by the Finance Committee, not addressed in the evidence session.

With reference to the specific questions raised by the Finance Committee, SWBG welcome the opportunity to further present their case at this crucial stage in the budget process. At a general level SWBG are interested in the issues raised as starting points for research by the Finance and other Departments of the Scottish Executive. We are thus keen to work with the Finance Committee in seeking clarity on the Executive’s position with regard to developing a gender aware approach to the national budget and, in providing evidence of the relevance of gender to the promotion of a more efficient and equitable distribution of public resources.

We have not addressed some of the questions in detail, as we do not have the resources to engage in the necessary in-depth analysis. However, we have focused on the questions we believe key in making the case for gender responsive budgeting within a Scottish public policy context. Furthermore, whilst we may not be able to address all of the questions within the given time frame we have within the group a range of expertise across the spending areas and have built up considerable capacity in the area of gender budgeting. We would thus be happy to engage further with the Finance Committee in sharing this knowledge.

Before addressing the specific questions we would like to take this opportunity to reiterate the case for focusing on the budget. SWBG are often presented with the argument that the budget might not be the most appropriate stage of the policy process to consider gender impact. Rather, steps should be taken to ensure that gender concerns are an integral feature of the policy process and therefore the most appropriate point to initiate gender impact analysis would be at the policy design stage. From discussion at
the evidence session it would appear that this argument remains a cause for concern. That is, the rationale for placing emphasis on the actual budget, as opposed to the more directly relevant spending areas, in terms of promoting gender sensitive policies is not fully understood.

The national budget is arguably one of the most important policy statements of any government and can be used as a measure of economic performance at both a micro and macro-economic level. The budget statement is generally assumed to be gender neutral in that the nature and level of budgetary allocations do not normally depend upon whether they apply to men or women. However, the impact of patterns of public expenditure is a gendered concept, therefore steps should be taken to ensure that the focus on ‘neutrality’ (or even the avoidance of discriminatory practices) should not allow policy to be ‘gender blind’.

The budget process should be considered the most obvious focus in any attempt to promote both efficiency and equity objectives in that it represents a summary of all expenditure programmes. Fiscal measures will ultimately determine the direction of public policy and the actual options on offer. Thus, current financial frameworks, alongside the assumptions associated with mainstream economic theorising, are the prime influences in determining patterns of resource allocation in Scotland. It follows that such should be the central focus in any evaluation of the gender impact of the resulting allocation and distribution of public monies. The ways in which national governments finance and allocate public goods and services should be designed, implemented and evaluated within an analytical framework that incorporates gender as a relevant variable. Adopting a gender perspective involves thinking about the ways in which things are done and how choices are made rather than merely examining the outcomes of those decisions/choices. The budget therefore presents as a crucial focus, and indeed invaluable entry point, in any governments attempts to mainstream gender in terms of economic policy.

In advancing a programme of mainstreaming equality across the policy process, gender impact analysis of budget systems and spending proposals proves a useful and effective tool. Accounting for gender in the allocation and distribution of public resources leads to more effective targeting and improvements in service delivery. This implies efficiency gains across a range of public policy interventions in addition to promoting the goal of gender equality. Although the annual budget statement presents as the immediate focus, assessing such with reference to any possible differential gender impacts will ultimately feed through into policy design, making explicit the link between policy choices and actual spending allocations. Thus the production of a gender sensitive budget involves undertaking gender impact analysis at all stages of the policy process.

Specific Questions
1. It is probably impossible to achieve a perfect allocation of resources from the point of view of gender equality. Realistically perhaps the best that can be achieved is to have mechanisms for ensuring that spending proposals which
increase or fail to reduce gender inequality are identified and modified. What do you think these mechanisms should be?

It is not impossible to achieve a ‘perfect allocation of resources from the point of view of gender equality’. However given the dynamics of modern socio-economic conditions there would need to be in place a systematic process for regular monitoring and evaluation which adequately accounted for gender as an influencing variable. A number of tools and mechanisms have been developed for assessing any gender effects arising from existing and proposed patterns of resource allocation and actual distributions.

Among the tools identified in the literature are the following:\(^1\):

- **Gender - Disaggregated Beneficiary Assessments** - actual or potential beneficiaries of public services are asked to assess how far public spending is meeting their needs. This can be done through opinion polls, attitude surveys, group discussion or interviews.

- **Gender- Disaggregated Public Expenditure Incidence Analysis** - this is a process of estimating the distribution of budget resources (or changes in resources) among males and females by measuring the unit costs of a given service and multiplying that costs by the number of units used by each group.

- **Gender Aware Policy Appraisal** - this entails the analysis from a gender perspective of the policies and programmes funded through the budget which asks *in what ways are the policies and associated resource allocations likely to reduce gender inequality?*

- **Gender Aware Budget Statement** – the key instrument in developing gender aware budget statements is to disaggregate projected expenditure into gender relevant categories and to indicate where expenditure is specifically targeted at reducing existing gender inequalities.

- **Gender – Disaggregated Analysis of the impact of the budget on Time Use** – this involves a calculation of the link between budget allocations and their effect on how household members spend their time using household time use surveys.

- **Gender Aware Medium -Term Macroeconomic Policy Framework** – this entails ensuring that the macroeconomic models employed in the generation of medium term economic forecasts are reformulated to incorporate gender concerns thus ensuring that future macroeconomic policy is designed taking account of the differentiated roles of men and women in economic activity.

These tools were identified and recommendations were made as to how such could be applied within a Scottish context in the research report prepared for the Scottish Executive’s Equality Unit *Exploring the Role of Gender Impact Analysis in the Scottish Budgetary Process* (R Fitzgerald and A McKay. 2002)

**1.1 What would you assess as the scale of the task and resources required to implement these measures?**

\(^1\) Tools adapted from Commonwealth Secretariat (June 1999) *Gender Budget Initiative*
1.2 What do you see as the respective roles of NDPBs, the Exec and the Parliament in this?

In implementing a gender aware approach to budgeting account should be taken of both short run and long run goals. In the short run it may be that pilot studies can be undertaken such as those envisaged by the Scottish Executive in the areas of sport and health. The results from such pilots should be widely disseminated.

In the longer term issues relating to capacity building within the Executive and indeed across the public sector are considered key to success. Raising awareness and developing mechanisms to ensure accountability with reference to the promotion of gender equality should be a priority. At a practical level every department should have within it staff designated to make an assessment of the gender impact of all spending proposals. The final objective is cultural change and this could be achieved with given resources.

The ultimate goal would be to change the budget. SWBG recognise this is a longer-term aim and that incremental and sustainable developments are the best way forward.

The central role of the Executive, and in particular the Finance Department is considered crucial in delivering on this agenda, as are the Parliamentary Committees. This is further explained in the research report referred to above. (Fitzgerald and McKay, 2002).

2. How would you go about measuring the overall impact of the budget on gender equality?

See answer to 1 above referring specifically to tools and how such can be applied within a Scottish context

2.1 Given that many different factors affect outcomes including individual preferences and choices, should we be measuring equality of outcome or equality of opportunity?

We should of course be measuring both and the tools identified above would aid in the process of doing so. The distinction between target group and actual beneficiaries is a crucial one. Demonstrating such would be a key feature of any gender impact analysis, providing policy makers with evidence of poor or ineffective targeting. That is, ensuring equal opportunity does not necessarily deliver equal outcomes.

2.2 Should assessment focus on gender equality or should it be broader looking at all aspects of inequality?
While the Scottish Executive’s commitment is to mainstreaming equality across the policy process, the lessons from initiatives around mainstreaming gender equality provide a useful starting point for tracing the relationship between policy objectives and spending and can provide a model and good practice lessons for the broader equality agenda. Furthermore, gender inequality cuts across all others. Inequalities of race, disability etc., have an additional gender dimension to them.

In addressing this question it is worth noting the misconception, often cited, that gender is synonymous with women. Adopting a gender perspective involves moving beyond the notion of a homogenous population and recognising the very different life experiences of men and women, boys and girls. Gender aware policy making would thus account for the differential needs of the whole population as opposed to assuming a predefined target group.

3. Do you have any specific examples of spending proposals which will tend to increase gender inequality?

3.1 In your submission you refer to the lack of evidence that funding is targeted to promote gender equality and economic efficiency referring specifically to transport provision. Do you have any suggestions for changes in the spending proposals which would promote gender equality and meet other objectives such as sustainability, efficiency, cost-effectiveness and fairness?

3.2 What would amount to evidence that these suggestions would promote gender equality and efficiency?

SWBG have repeatedly provided evidence in answer to these questions in the various submissions we have prepared in response to previous and current spending plans. We would be happy to engage further with the Finance Committee in exploring how best to ensure the detail contained within our submissions is best disseminated across the wider Scottish public policy community.

A number of indicative examples demonstrating the ‘gendered’ nature of particular spending plans are detailed below:

- Studies show that parks and playgrounds are used by women and children who walk to them, whereas leisure centres attract men who drive to them. The proposal for a joint Scottish-Irish bid to host the 2008 European Football championship would have enhanced investment in an exclusively male sport.

- Within the transport budget the Executive’s apparent continued focus on roads will negatively impact on the promotion of gender equality, given the gendered nature of access to and use of public v’s private transport. Within this years budget safety has been identified as a priority and there is a specific target to reduce the number of serious and fatal road accidents. Whilst this is welcomed, without a commitment to funding safety on public transport and without a budget allocation for it, little will improve and the Executive’s aims for enhancing personal safety of passengers and
staff will never be achieved. This lack of action is in stark contrast to the approach adopted by the Greater London Authority which has heavily invested in improving women’s safety (and thereby all passenger’s safety) by a number of measures. All buses have CCTV cameras and screens installed (lower and upper decks) and a special police unit has been designated to adopt a zero tolerance approach. Their first action is to inspect tickets and following that they have uncovered a range of crimes and prevented more serious ones. Overall the result is much safer transport which women are now using in large numbers.

- Increased spending on childcare is welcomed. However with an overall emphasis on improving rates of formal labour market participation outcomes must be considered with specific reference to the wider labour market issues. For instance, who is securing paid employment as a direct result of this spend and how sustainable is that employment? In this respect greater attention should be paid to the supply side concerns that have been raised in research to address issues such as low pay, gender segregation and insecure employment as an integral part of the childcare strategy. Thus, questions relating to how, where and the nature of care being funded need to be examined with specific reference to the overall goal of improving the position of women in Scotland.

4. Do you have any specific examples of the latest spending proposals being an improvement on earlier years or worse than earlier years?

On Page 102 Childcare is targeted through the Working for Families Fund which seems to be a new funding stream according to table 7.05 on page 105. However whilst this new funding source is welcomed, it has to be balanced against an almost 50% reduction in the Promoting equality budget line in 2003/4 and 2004/5 from the 2002/3 figures. It is unclear where the budget is for the commitment to tackling violence against women mentioned on page 102.

5. In your submission you refer to women having interrupted work-histories. Do you think the closure of final salary pension schemes, which tend to penalise those who switch employers or have interrupted careers, and the adoption of defined contribution schemes will reduce gender inequality?

We do not recommend reduction in men's money incomes to close the income gap between men and women! Likewise, we do not recommend the closure of final salary pension schemes. Women's low pensions are due to (a) low earnings and (b) too few years of contribution. Defined contribution schemes do not deal with these problems and, in addition, transfer risk from the state or employer to the pensioner.

5.1 If so should the public sector, like much of the private sector, be adopting pension schemes which are less unfair on those who switch employers or have career breaks?
We welcome the idea of the public sector as a model employer. In considering terms and conditions of work in the public sector, a reduction in hours of full-time employment would facilitate redistribution of unpaid work in the home between women and men, and, would contribute to closing the gender gap. Paid paternity leave above the statutory minimum would also help.

Although we recognise this policy area is outwith the remit of the Scottish Executive we would support entitlement to a standard state pension payable at retirement age to all citizens, pitched at the level of the present Minimum Income Guarantee and indexed to earnings.

6. Growing the economy is the number one priority of the Executive and Scotland’s falling population has been cited as the single biggest challenge facing Scotland. How might gender equality proofing impact on enterprise, efficiency, productivity, innovation, incentives (select as wish from this list) and demography?

In addressing this question we would like to express our concern about the vagueness with reference to the top priority of ‘Growing the Economy’ and to draw attention to the gender concerns arising from a focus on economic growth which utilises conventional measures to monitor progress. That is, traditional national income accounting practices take no account of unpaid work and the resulting figure is neither an accurate or reliable indicator of actual quality of life. If high rates of growth are associated with increased income and/or gender inequalities, as is often the case, it is unclear how this would be monitored and, indeed, corrected for. SWBG would prefer to see more explicit statements made about how economic growth is to be measured and for such statements to take into account the distinction between ‘prosperity’ and more traditional and narrowly defined concepts of economic growth.

With specific reference to the position of women in the Scottish economy we would like to draw the Committee’s attention to recent research supported by the Equal Opportunities Commission (see Britain’s Competitive Edge: Women Unlocking the Potential, EOC, Oct 2004). Issues relating to women’s employment and rates of pay are not just about social justice but have as much to do with the efficient functioning of a competitive market based economy. The business case for the promotion of gender equality is well documented (see for example the Kingsmill Review, 2001; Sylvia Walby and Wendy Olson, DTI, 2002). Lower rates of productivity growth, compared with our European partners, has been identified as a mitigating factor in the determination of overall economic performance. Understanding and addressing the gender pay and productivity gaps should therefore present as key aspect of any strategy aimed at promoting economic growth.

Labour market rigidities and skills deficits are principal factors in the determination of productivity levels. Both of these factors are heavily gendered. Gender based occupational segregation, discrimination in the labour market and gender differences in
terms of skills deficits all contribute to the gender pay and productivity gaps. The under
utilisation of women in the labour market can thus impede future rates of economic
growth.

Scotland's future success lies in the quality of our workforce – having the best people,
with high-quality skills, in the right place at the right time. Women could be Scotland's
competitive edge. Women's skills are under-used, and too many women do jobs that
are well below their capabilities. Many women face barriers that prevent them from
making the best use of their skills. Some occupations remain almost 'no go' areas for
women; others for men. Women who work full time earn 18% less per hour than men
who work full time. Women who work part time earn 40% less per hour - and the gap
has changed little in 25 years. Even recent women graduates earn 15% less than men
who have the same qualifications within 5 years. (EOC, Oct 2004) Such inequalities
are not only morally unacceptable but serve as barriers in the drive to enhance future
productivity levels.

With reference to concerns regarding population decline, Barbara MacLennan, a member
of SWBG has written about policies to raise the birth rate in Perspectives, Number 5,
Winter 2003-04.

In addition, you undertook to provide further information to the Committee in
relation to modern apprenticeships. Kate Mclean MSP asked for additional general
information on the modern apprenticeship scheme (Official Report, column
reference 1793) and Ted Brocklebank MSP asked for details of the number of
women in modern apprenticeships in the rest of Europe (Official Report, column
reference 1784).

Attached is a summary of main findings arising from recent research undertaken as part
of the EOC’s General Formal investigation into occupation segregation. The research
team involves two members of SWBG.

At this point we are unaware of the numbers of women in modern apprenticeships in the
rest of Europe, but we would happy to engage further with the Committee in researching
into the possibility of making European comparisons.

I trust this information is of use to the Committee in drafting their Stage 2 report. If there
is anything else SWBG can provide please do not hesitate to contact me at the above
address.

Yours sincerely

Ailsa McKay
SWBG
The Modern Apprenticeship scheme is implemented at the local level by the Local Enterprise Companies via Scottish Enterprise (SE) and Highlands and Islands Enterprise (HIE). The Scottish Executive’s Enterprise, Transport and Lifelong Learning Department (ETLLD) has ultimate funding responsibility while SE and HIE distribute that funding for training through the LECs. Input from other agencies include the Sector Skills Councils’ (SSC) input in recruitment, framework development and management of the administration of funding for training, the Scottish Qualifications Authority (SQA) role in awarding the Scottish Vocational Qualifications (SVQ) and Careers Scotland’s remit for marketing the scheme to potential candidates.

Female participation in Scotland is only 35% of the total. The table below shows that five out of the ‘top ten’ MA frameworks are severely male dominated with less than 3% female participation. A further three frameworks show female domination – Business Administration, Customer Service Health and Social Care. A number of the less popular frameworks such as Hairdressing, Early Years Care and Education and Gas Industry all exhibit severe segregation along gender lines. Overall, women dominate the occupational frameworks in which no tradition of apprenticeship training existed before the advent of the MA scheme. The traditional frameworks, on the other hand, are almost exclusively the preserve of male school leavers.

Top ten frameworks as of April/May 2004*

<table>
<thead>
<tr>
<th>FRAMEWORK</th>
<th>Number Male</th>
<th>Number Female</th>
<th>TOTAL</th>
<th>% Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Administration</td>
<td>216</td>
<td>1324</td>
<td>1540</td>
<td>86%</td>
</tr>
<tr>
<td>Construction</td>
<td>5018</td>
<td>32</td>
<td>5050</td>
<td>0.6%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>574</td>
<td>1051</td>
<td>1625</td>
<td>65%</td>
</tr>
<tr>
<td>Electrotechnical</td>
<td>1912</td>
<td>10</td>
<td>1922</td>
<td>0.5%</td>
</tr>
<tr>
<td>Engineering</td>
<td>1843</td>
<td>46</td>
<td>1889</td>
<td>2.5%</td>
</tr>
<tr>
<td>Health and Social Care</td>
<td>509</td>
<td>2348</td>
<td>2857</td>
<td>82%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>865</td>
<td>837</td>
<td>1702</td>
<td>49%</td>
</tr>
<tr>
<td>Management</td>
<td>1167</td>
<td>1674</td>
<td>2841</td>
<td>59%</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>2308</td>
<td>22</td>
<td>2330</td>
<td>0.9%</td>
</tr>
<tr>
<td>Plumbing</td>
<td>1098</td>
<td>4</td>
<td>1102</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Scottish Enterprise, Skills Development Team.

Research conducted by Glasgow Caledonian University in conjunction with the EOC Scotland has concluded that a consideration of issues relating to occupational segregation, a significant component of the gender pay gap, have not been adequately accounted for in the design, delivery and monitoring of the Modern Apprenticeship scheme.

Prepared by Emily Thomson, Division of Economics and Enterprise, Glasgow Caledonian University, November 2004
Scrutiny of Financial Memoranda – Further and Higher Education (Scotland) Bill

Introduction
1. This paper seeks the Committee’s view on the level of scrutiny to be applied to the Financial Memorandum for the Further and Higher Education (Scotland) Bill (“the Bill”), which was introduced in the Scottish Parliament on 30 September 2004.

2. The Enterprise and Culture Committee is the lead Committee for the Bill and is expected to take evidence from the Minister on 16 November.

Background
3. The Explanatory Notes state that the main provisions of the Bill are as follows:

4. “Part 1
- Creates the new Scottish Further and Higher Education Funding Council and dissolves the current Scottish Further Education Funding Council and Scottish Higher Education Funding Council;
- Sets out duties on Ministers and the Council with regard to further and higher education in Scotland;
- Sets out further powers of Ministers and the Council in relation to funding;
- Sets out the functions of the Council;
- Sets out the powers of Ministers in relation to the functions of the Council.”

5. Paragraph 55 of the Financial Memorandum for the Bill states that “the Bill does not give rise to any new costs or savings, since it simply reorganises the structures through which money is paid to fundable bodies”.

6. However, paragraph 56 says that “there will be no significant costs or savings when the new body [the Scottish Further and Higher Education Funding Council] is established”. Paragraph 62 meanwhile, states that “there are…likely to be one-off set-up costs associated with creating the new body...these are not expected to be significant, and can be met from existing Departmental resources”.

7. In relation to the extended remit of the Scottish Public Services Ombudsman, paragraph 63 says that likely cost implications are estimated at £50-60,000 for 2005/06, but that these can be met from within existing departmental budgets. Paragraph 65 acknowledges that there are not likely to be significant costs on further and higher education
establishments given the number of anticipated complaints to the Ombudsman.

**Decision**

8. While there is a degree of ambiguity in the Financial Memorandum's assertion that the Bill does not give rise to any new costs or savings, it seems clear that if there are any additional costs, these will be minimal and can be met from existing budgets.

9. Therefore, Members are asked to agree that the Committee should adopt level 1 scrutiny for this Bill. i.e. that it should take no oral evidence on the Financial Memorandum, but should instead seek written comments from relevant organisations through its agreed questionnaire, and then pass these comments to the lead committee.
Attached, for Members’ information, is the questionnaire that the Committee agreed to send out to organisations to seek comments on the costs set out in the Financial Memorandum. The Committee agreed the questionnaire at its meeting on Tuesday 28 September 2004.

**QUESTIONNAIRE**

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by, the Financial Memorandum for the XXX (Scotland) Bill. In addition to the questions below, please add any other comments you may have which would assist the Committee’s scrutiny.

**Consultation**
1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

3. Did you have sufficient time to contribute to the consultation exercise?

**Costs**
4. If the bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

**Wider Issues**
7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?
Finance Committee

26th Meeting 2004 – Tuesday 26 October 2004

Engaging with the European Union

Background
1. This cover paper summarises two recent Scottish Parliament documents, both of which are concerned with improving the Parliament’s engagement with European Union (EU) legislation and policy:

   a) “The Role of the Scottish Parliament in Relation to European Matters”, and
   b) “The Relationship between the European and External Relations Committee and Subject Committees”, by the Convener of the European and External Relations Committee (EERC).

2. Both documents stress that the EU is of fundamental importance to Scotland and the Scottish Parliament, as many of the EU’s policy initiatives and legislative proposals impact upon areas of competence devolved to the Parliament. Both were discussed and endorsed by the Conveners' Group at its meeting of 18 March 2004.

3. After examining the documents, this paper then asks whether the Finance Committee wishes to reconsider the way it deals with EU issues and, if so, how this could be achieved.

Paper 1: The Role of the Scottish Parliament in Relation to European Matters
4. This paper, produced by a staff working group, outlined five possible roles for the Scottish Parliament in relation to European matters. Each of these broad roles also contained a range of more specific actions which could be carried out.

5. From the point of view of the Finance Committee, the most important roles are numbers 2 and 3, as these suggest areas of activity for committees. These are highlighted below, along with examples of the more specific actions:

   a) Role 1: Legislating (to give effect to EU law in Scotland) through primary and secondary legislation.
   b) Role 2: Holding the Scottish Executive to account in relation to its roles in EU matters.
      Actions: In relation to legislation (bills and SSIs), the Parliament may wish to:
      - check that the legislation reflects Scottish interests.
      - hold Scottish Ministers to account in relation to the delivery of policy in devolved areas impacted by the EU.
- ensure that the Executive is developing and pursuing successfully the expression of Scottish interests within the UK negotiating line.

III. Role 3: Being aware of and seeking to engage with EU policy developments.

Actions: The Parliament needs to be aware of EU policy developments for a variety of possible reasons:
- to help committees understand how the EU impacts on their activities and enable them to carry out their functions as outlined in Standing Orders including examining legislation, undertaking inquiries, holding the relevant Scottish Executive Minister(s) to account, making proposals for a Committee Bill and if they so choose, responding to Commission consultations.
- to hold the Executive to account on its European strategy.
- to hold the Executive to account in relation to the roles outlined above.

IV. Role 4: Acting as a debating forum on EU issues.

V. Role 5: Promoting the Scottish Parliament and Scotland’s place in Europe.

Paper 2: EERC and Subject Committees

6. The second paper under discussion is that produced by the Convener of the European and External Relations Committee, which complements the Europe Group’s report. It is based on two key principles:
   (i) EU matters should be a shared competence of the European and External Relations Committee and subject committees; and
   (ii) EU matters should be mainstreamed across all relevant subject committees, whilst leaving the final informed decisions on the level and nature of engagement to each committee.

7. In other words, while the paper suggests that committees – particularly the most relevant ones – take a closer involvement in EU matters, it also acknowledges fully that the actual degree of involvement is a matter for the Finance Committee and the Finance Committee alone. The remainder of this paper sets out the options open to the Committee if it does wish to be more active.

The role of the Finance Committee

8. In order for the Committee to make an informed decision, it is helpful to clarify the role of committees in EU matters as set out in Standing

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1 Apart from those activities it is statutorily obliged to meet – e.g. facilitating the implementation of obligations under Community law.
Orders, and the relevant information that is already made available to the Parliament.

9. Rule 6.2.2(c) of Standing Orders specifically provides that in relation to the functions of all committees, that each shall conduct such inquiries into such competent matters as it may consider appropriate or as the Parliament or another committee may require, and may consider any European Communities legislation or any international conventions or agreements or any drafts which relate to or affect any competent matter. Again, this highlights that in reality the degree of involvement with EU matters is a matter for each committee to determine for itself.

10. In terms of the information already provided, the following comes directly from the Executive:
- a 6-monthly, department-by-department statement on its EU priorities;
- annotated agendas in advance of EU Council meetings and post-Council reports thereafter;
- a quarterly report on the forthcoming transposition and implementation of Community law into Scots law (on a department-by-department basis).

11. The European and External Relations Committee also provides each subject committee (every fortnight) with a list of recent EU legislative developments, highlighting legislation of special importance.

12. To date, this material has been sent to, and read by, the clerks who then decide whether it should be passed to the Committee for further action. Because the information relayed since these papers were written has been of no relevance to the Finance Committee, nothing has been circulated to the Committee. However, clerks acknowledge that it would be preferable if Members could endorse this arrangement.

13. In addition to simply receiving this information, the paper from the Convener of the European Committee also highlighted several other ways in which committees could take a more active role. These are highlighted in this table:

<table>
<thead>
<tr>
<th>Monitoring role</th>
<th>Active Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ask the Executive to provide a six-month (or less) written statement on its EU</td>
<td>Invite the Scottish Executive minister(s) to the Committee for an oral evidence</td>
</tr>
<tr>
<td>activities and priorities (include views on new legislation, its transposition,</td>
<td>session on his/her 6-monthly report.</td>
</tr>
<tr>
<td>plans for derogations etc.).</td>
<td>Invite the Director-General or a representative from the European</td>
</tr>
<tr>
<td>At the same time (as above), request a written briefing from the relevant</td>
<td>Commission to the same committee meeting, perhaps along with a selection of</td>
</tr>
<tr>
<td>European Commission Directorate(s)-General on the six months ahead.</td>
<td>Scotland’s MEPs.</td>
</tr>
<tr>
<td>Where possible, send a representative (Member or official) along to the 6-monthly</td>
<td>Invite the Executive to provide a briefing on the implications for the subject</td>
</tr>
<tr>
<td>meeting hosted by the European and External Relations Committee with a</td>
<td>Committee of the Executive’s European Strategy</td>
</tr>
<tr>
<td></td>
<td>Consider whether it is necessary or valuable</td>
</tr>
</tbody>
</table>
representative of each new EU Presidency. Organise a familiarisation visit for the committee or a small delegation to the EU institutions.
Commission a quarterly review of forthcoming EU issues.
Seek a written report from the relevant Executive minister(s) prior to and after each relevant meeting of the Council of the EU.
Develop good working relationship and share information with your counterpart in the House of Commons and Lords.
Ensure that the committee is provided regularly with an “EU paper/pack”, which provides the information it needs to carry out its scrutiny of the Executive. This could include notes on forthcoming legislation, policy debates in the EU, details of SSIs implementing Community law etc.

Recommendations
14. It is acknowledged that EU legislation and policy making – and its relationship to the Scottish Parliament – can be a complex process to understand, and that the Committee will have to decide whether it feels there is sufficient time and merit to becoming more involved. However, given the greater emphasis being placed on EU matters across committees in session 2, this paper simply outlines how the Finance Committee could - if it so wishes - engage more.

15. As a first step, three options are suggested for discussion by Members²:
I. The Committee maintains its current approach of little or no engagement with the EU, with relevant papers continuing to be assessed by the clerks;
II. Members consider the options set out in table 1 above and select those which they feel are most appropriate (further information on any of these options can be provided if Members so desire);
III. The Committee invites the Minister to provide it with an introductory, oral briefing on EU matters relevant to its remit and an overview of current Scottish Executive action in these areas. After this, the Committee would be able to make a better informed decision about its future strategy.

² Naturally, options 2 and 3 can be carried out together.