FINANCE COMMITTEE

AGENDA

23rd Meeting, 2006 (Session 2)

Tuesday 26 September 2006

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

1. **Budget Process 2007-08**: The Committee will consider papers from the budget adviser.

2. **Prostitution (Public Places) (Scotland) Bill**: The Committee will consider its approach to the Financial Memorandum of the Prostitution (Public Places) (Scotland) Bill.

3. **Commissioned research on the impact of the Scottish Budget on the Scottish Economy (in private)**: The Committee will receive a briefing on its commissioned research.

4. **Transport and Works (Scotland) Bill (in private)**: The Committee will consider its draft report on the Financial Memorandum of the Transport and Works (Scotland) Bill.

Susan Duffy
Clerk to the Committee
Room T3.60
Extn 85215
The papers for this meeting are:

**Agenda Item 1**

Paper from the budget adviser – 2007-08 budget process

Paper from the budget adviser – Spending Review 2002 targets

**Agenda Item 2**

Paper from the clerk

*Prostitution (Public Places) (Scotland)* Bill and accompanying documents (circulated to members in hardcopy only, copies available from the Scottish Parliament website)

**Agenda Item 3**

PRIVATE PAPER

**Agenda Item 4**

PRIVATE PAPER
Finance Committee

23rd meeting 2006, Tuesday 26 September 2006

Draft Budget 2007-8: Supplementary Note by the Budget Adviser

1. In my report to the Committee of 12 September, I highlighted reductions in planned spend on both capital and revenue grants to local government outwith AEF. At the meeting, I also reported that there were significant differences in these figures from those published last year in the Draft Budget 2006-7, as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Draft Budget 2006-07</th>
<th>Draft Budget 2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07 Revenue</td>
<td>£996.7m</td>
<td>£1036.2m</td>
</tr>
<tr>
<td>2007-07 Capital</td>
<td>£445.1m</td>
<td>£573.7m</td>
</tr>
<tr>
<td>2007-08 Revenue</td>
<td>£1008.5m</td>
<td>£968.2m</td>
</tr>
<tr>
<td>2007-08 Capital</td>
<td>£465.4m</td>
<td>£426.9m</td>
</tr>
</tbody>
</table>

2. I have now checked the documentation sent to me by Finance Coordination, and the figures in the new budget, 2007-08, are correct. There were errors in the revenue grants reported for Enterprise, Transport and Lifelong Learning; and capital grants for Communities, in last year's document (table 10.03, p155).

3. This means there is an unanticipated fall in such spending, of £68m in revenue grants, and £147m in capital grants in the new budget, the biggest fall is £128m in capital grants for Communities. The Committee may wish to raise this with the Minister in November.

Professor Arthur Midwinter

2. There are 165 targets reported in this document. According to the report, 116 or 70% have been met, whilst a further 23, or 14% are classified as ongoing - sometimes called on target. (the Minister is reported as claiming 83% of 116 targets set in 2002 being met or on course)

3. These overall figures require some qualification to permit a more rigorous appraisal of Executive performance. In 2004, the Finance Committee recommended that no fewer than 64 of these targets should be dropped, as they were simply statements of policy and practice, such as ‘establishing an improvement function’ for local Government, or ‘undertaking a rolling programme of Best Vale Reviews’.

4. Of those 64 targets, 57 are reported as being met. Targets should be focused on measurable outputs or outcomes, and when we focus only on such targets, only 59 targets have been met, or 58% of the 101 measurable targets.

5. A second problem is that 11 indicators are now described as ‘replaced’, and cover the current Spending Review period to 2007-8, which means Parliament has not received reports on performance over the 2002 Spending Review cycle. The statistic that only 15 have not been met needs to be qualified given that 23 are reported as ongoing, and 11 have been replaced. Overall, the report does not provide a robust assessment of progress on performance.

6. A major gap in the report is the absence of targets on the cross-cutting issues of Closing the Opportunity Gap and sustainable development there are no sustainable development strategic targets in the reports, although there are a few in portfolio chapters.

7. The COG targets in Communities (Target 4) seek to measure progress between disadvantaged communities and the average, but this was ‘replaced’ in the 2004 Spending Review. This is not a reason for failing to report on the specific targets set in Spending Review 2002 – (this applies to several replacements)
8. There are other indicators which monitor progress in COG. The Education and Young People target to close the gap in attendance levels has not been met. The Tourism Culture and Sport targets to increase participation in cultural and sporting programmes by underrepresented groups and deprived areas have been replaced by a commitment simply to increase participation overall whilst ‘maintaining the balance of participation across the population” – which is not a measure of Closing the Opportunity Gap.

9. A third weakness is the absence of any performance information on health inequality, as the five health status targets are set to the period ending 2010.

10. Finally, on COG, the report claims that the target for Closing the Opportunity Gap in unemployment rates has been met, as the percentage point gap fell from 10% to 8.5%. This is not a measure of relative unemployment. In 2001, the unemployment rate was 3.5 times higher in the worst 10% of disadvantaged areas compared with (14% in disadvantaged areas compared with 4% as the average for Scotland). In 2005, the figures are 11.7% to 3.2% - a rate 3.66 times higher. There has been no Closing of the Opportunity Gap in unemployment rates.

11. My final observation is that the report claims real progress across the priority areas of growing the economy. In fact, it provides no comparative data on economic growth, and Scottish Economic growth has remained broadly stable since 2002, as set out below.

Table 1: Per Capita Economic Growth in Scotland

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2.8%</td>
</tr>
<tr>
<td>2001</td>
<td>2.2%</td>
</tr>
<tr>
<td>2002</td>
<td>1.5%</td>
</tr>
<tr>
<td>2003</td>
<td>1.6%</td>
</tr>
<tr>
<td>2004</td>
<td>1.7%</td>
</tr>
<tr>
<td>2005</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Source: Scottish Executive (2006) Statistics Publication Notice for Scottish GDP, 2006, Quarter 1