FINANCE COMMITTEE

AGENDA

3rd Meeting, 2002 (Session 1)

Tuesday 12 February 2002

The Committee will meet at 10.30 am in Committee Room 2 to consider the following agenda items:

1. **Items in Private:** The Committee will consider whether to take agenda items 5, 6 and 7 in private.

2. **2002/03 Budget Process:** The Committee will consider the response from the Minister for Finance and Public Services to its stage 2 report.

3. **Scottish Parliamentary Standards Commissioner Bill:** The Committee will consider the Bill’s financial memorandum (under Standing Orders Rule 9.15.8).

4. **2003/04 Budget Process:** The Committee will consider an options paper for meeting outwith Edinburgh at stage 1 of the 2003/04 budget process.

5. **2003/04 Budget Process:** The Committee will receive a briefing from its adviser.

6. **Financial Scrutiny:** The Committee will consider a paper on its review of financial scrutiny arrangements.

7. **External Research:** The Committee will consider stage 2 of the report on Moving to Outcome Budgeting from Norman Flynn.

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The papers for this meeting are:

**Agenda item 2**
Response from the Minister for Finance and Public Services  
FI/02/3/1

**Agenda item 3**
Scottish Parliamentary Standards Commissioner Bill  
FI/02/3/2
Explanatory Notes  
FI/02/3/3
Paper by the Clerk  
FI/02/3/4

**Agenda item 4**
Paper by the Clerk  
FI/02/3/5

**Agenda item 5**
Paper by Professor Arthur Midwinter, budget adviser to the Committee  
PRIVATE PAPER

**Agenda item 6**
Paper by the Clerk  
PRIVATE PAPER  
(to follow)

**Agenda item 7**
Moving to Outcome Budgeting stage 2 report by Norman Flynn  
PRIVATE PAPER
FINANCE COMMITTEE 13TH REPORT 2001

I set out below my formal response to the your Report on Phase 2 of the Budget Process. For ease of clarity, I have set out the 14 recommendations contained in your report followed by the Executive’s response.

Principle conclusions and recommendations.

1. We express the hope that departments will react positively to the Minister’s encouragement of priority-based budgeting as a first step towards measuring outputs and outcomes in relation to spending and we recommend that the Executive publishes with the draft budget a statement on progress made on priority-based budgeting and the move towards measuring outputs and outcomes. (Paras 13 and 14)

I am happy that the Committee has endorse our move to priority based budgeting. I welcome the Committee’s interest and would be happy to provide them with a separate statement on how Priority Based Budgeting has evolved or perhaps to discuss the issue at one of our regular meetings.

Setting out objectives in terms of measurable activity can be difficult and although I am keen to push this process forward, I acknowledge a move towards identifying outputs and outcomes will be an incremental process.

2. We are concerned that the allocation of EYF is not discussed by the subject committees as the timing of the announcement on EYF does not allow integration of EYF allocation with the budget cycle. In addition, we ask that quarterly reports on levels of departmental underspend are made available to subject committees and the Finance Committee and that the Minister
considers how any consequent in-year revisions can be integrated with the budget process, affording subject committees and the Finance Committee the opportunity to consider the proposed re-allocations. (Paras 27 and 30)

The EYF allocations are already clearly identified in the Autumn budget revision that is put before the Finance Committee and the Parliament. EYF is already embedded in the budget process and put before the Parliament for scrutiny.

3. A full statement of the source of money made available for re-allocation in-year should accompany announcements of re-allocation. (Para 6)

With the reallocation announced on 28 June, my colleague, Mr MacKay, provided a table setting out the proposed allocations, savings and final position quite fully. I am happy to make a commitment to continue that format.

4. We recommend that the Finance and Central Services Department considers ways in which the identification of monies suitable for re-allocation can be taken forward in conjunction with departments. (Para 7)

The Finance and Central Services Department is in constant contact with other Departments to discuss spending.

5. We recommend that the Minister brings forward proposals for mechanisms to ensure that spending by non-departmental bodies such as health boards, local government and NDPBs is in line with Executive priorities and programmes. (Para 17)

It is essential that spending by Health Boards, Local Government and NDPBs is in line with the Executive’s priorities, and there are systems in place to ensure this.

- **For Health Boards**, we are developing a comprehensive Performance Assessment Framework (PAF) for NHSScotland, fulfilling a commitment set out in the December 2000 White Paper, *Our National Health*.

- **For Local Government**, the Executive is piloting with the Convention of Scottish Local Authorities local outcome agreements for education attainment and children’s services, linking national policy priorities with specific local targets for service outcomes. These agreements are not intended to be another layer of planning, but will link to the outcome measures set out in the National Priorities for Education and local Integrated Children’s Services Plans. Specific agreements are also being progressed for homelessness, adult literacy, community care and the Better Neighbourhoods Services Fund for deprived communities. While partnership with local authorities on local outcome agreements will help us achieve shared priorities, we should recognise that local governments are democratically accountable to their own electorate and should have a flexible framework to achieve local priorities.

- **For NDPBs**, Ministers are responsible for approving key management and financial documents for each NDPB, including management structure and a corporate plan. The Management Statement sets out the overall aims and objectives for the body, its working relationship with Ministers and Executive departments and detailed arrangements for financial planning and control. The Corporate Plan determines the policies and strategies that the NDPB is to pursue over a three-year period, and the work programmes and associated programme budgets required
to achieve these. This forms the basis of Minister’s decisions during each spending review on the resources that the NDPB should have.

While it is crucial that spend meets our priorities, this is not the same as saying we will direct the expenditure of those bodies. We set the framework then must allow those bodies the freedom to achieve the agreed priorities as best they can to meet local circumstances.

6. We recommend that the costs of the Scottish Administration be broken down further than in this year’s draft budget and should include expenditure on pay, special advisers, information technology and advertising. (Para 23)

I am happy to consider breaking the administrative costs of the Executive further to include more detailed information on costs, such as spend on information technology, advertising and special advisers.

7. We recommend that targets in the draft budget in relation to the Executive be reviewed and that targets more related to core tasks and tasks relating to the Parliament be included in next year’s draft budget. (Para 24)

I am happy to accept the Committee’s recommendation to improve the targets in the Annual Expenditure Report and Draft Budget Document. Targets must be more focused on the core business of the Executive.

8. We recommend that the Minister considers as a matter of urgency the electronic provision of information designed to allow interested parties to drill down from top level funding shown in budget documents to local expenditure on local programmes. (Para 12)

The full joining up of information from the high level figures we publish to the amounts organisations actually spend on the ground must be a long term aim for any government in this electronically-driven age. It will however take time to join up these systems and processes to ensure that the information is consistent and produces a coherent picture.

9. We recommend that the Modernising Government Fund is dealt with in a separate chapter in next year’s draft budget and the information provided includes programmes being financed and likely allocation in the next financial year. (Para 22)

My predecessor has already agreed we will provide a separate section on the Modernising Government Fund next year. As allocations are based on a bidding process we may not be able to provide all the information the Committee seeks. Nonetheless I am happy to provide what information is available.

10. We conclude that as stated in our stage 1 report, without incremental improvement towards equality proofing of budget documents, there is a danger that disillusionment with that process may set in. We understand that the Equal Opportunities Committee will continue to examine the link between policy development and resource statements with the dual aim of reviewing progress in this area but we nevertheless expect to see the first steps of this process filtering through into next year’s AER. (Para 43)

I agree with the Committee’s conclusion that we must continue to make progress on equalities. We have engaged with a number of groups such as Engender, in an attempt to work our way through the difficulties of linking policy development and resource statements. I am happy to continue to listen to what any group has to offer in this field but I believe progress will remain slow for some time.
11. We recommend that information of past performance be included in the draft budget in order to allow subject committees to judge performance. The rationale behind any in-year allocation and their relation to departmental priorities should be included. (Para 36)

In principle I am happy to provide information on past performance. I doubt that the Draft Budget Document is the proper place for such information. The document is already large and the inclusion of additional material can only make it bigger and more complex.

12. We recommend that the Minister reviews the co-ordination of responses to subject committees’ stage 1 reports in order to allow subject committees to consider responses before stage 2 begins. (Para 32)

I am happy to review the Executive’s co-ordination of responses to the subject committees and to give a commitment that subject committees will receive responses on Stage 1 before Stage 2.

13. We recommend that the Scottish Parliament Corporate Body’s funding requirement of £140.4m be approved by the Parliament. (Para 54)

14. We note the Scottish Commission for Public Audit’s recommendation that Audit Scotland’s bid for £5.899m be approved, subject to £1.25 of that sum being ring-fenced for VAT payments. (Para 56)

I note the Committee’s recommendation on the budgets for the Scottish Parliamentary Corporate Body and Audit Scotland.

ANDY KERR
Scottish Parliamentary Standards Bill – Financial Memorandum

Paper by the Clerk

Background

The Scottish Parliamentary Standards Commissioner Bill (SP Bill 48) is a Committee Bill, being introduced on 4 February by Mike Rumbles MSP on behalf of the Standards Committee. The Bill gives effect to a proposal by the Standards Committee *(Proposal for a Standards Commissioner Committee Bill, SP Paper 312)* approved by the Parliament on 23 May 2001. A summary of what the Bill does and the background to its introduction is available in the Explanatory Notes that accompany the Bill (SP Bill 48-EN).

Finance Committee

Under Rule 9.15.8 of Standing Orders, the Finance Committee is obliged to consider and report to the Parliament on the financial memorandum of any Committee Bill. This is the first such Bill to be introduced since Rule 9.15.8 came into force. Members will know that with other Bills, the lead committee at stage 1 is obliged to consider and report on the Bill’s financial memorandum (Rule 9.6.3). At stage 1 of a Committee Bill, there is not the same requirement for a stage 1 report from a parliamentary committee as the committee that introduced the Bill has already considered and reported on the need for the legislation and the Parliament has already accepted the proposal.

The financial memorandum for the Scottish Parliamentary Commissioner Bill (published with the Explanatory Notes in SP Bill 48-EN) states that the main costs associated with the creation of the post relate to the salary and resources of the Commissioner in respect to his or her duties in terms of time, staff and equipment. The total costs arising from the Bill are estimated not to exceed £100,000 which will be met by the Scottish Parliament Corporate Body. There will also be additional one-off costs relating to the recruitment and appointment of the successful candidate.

Decision

The Committee is asked to comment on the financial memorandum. The committee may wish to consider whether there is merit in taking evidence from the Convener of the Standards Committee in relation to the memorandum. Given the relatively small amount of money involved (the committee recently recommended approval of a budget of £140.4m for the SPCB in 2002/3)), and the fact that the figures have been arrived at at least partly in relation to the current temporary Standards Adviser and can therefore be expected to be relatively accurate, there may be little to be gained by doing so. If the committee is content with the memorandum as it stands, it is invited to note the content of the memorandum and recommend that the Parliament accepts the figures as detailed therein.

David McGill
February 2002
Options Paper
2003/04 Budget Process – Meeting Outside Edinburgh

Background

The Committee agreed in the first full year of the budget process that it would meet outwith Edinburgh at stages 1 and 2 in order to obtain a local perspective on national spending plans. Accordingly, as part of the 2001/02 budget process the Committee met in Aberdeen at stage 2 and as part of the 2002/03 cycle the Committee met in Perth at stage 1 and in Kirkcudbright at stage 2.

Timing

As always, the timescale for completion of stage 1 is tight. The debate in the Chamber is likely to take place in the week commencing 24 June. Allowing time for consideration of subject committee reports before taking evidence from the Minister, **Monday 27 May** would appear to be the most feasible date for meeting outwith Edinburgh. This will allow time for the Committee to agree and publish a report in advance of the debate.

Due to the Parliament meeting in Aberdeen from 28-30 May the most practical option would appear to be for the Committee to meet in the Aberdeen area on 27 May. As well as constraining the time available for the Committee to draft the report, the following week has additional holidays which create logistical problems.

We have been advised that there is Ministerial availability for the above date.

Locations

In Northeast Scotland there are a number of possible locations. At its meeting on 15 January, Members suggested that Stonehaven or Montrose should be considered as possible venues. Members may also wish to consider Peterhead as an alternative to the above.

Stonehaven fits the criteria of being both relatively close to Aberdeen and accessible to Members from outside the Aberdeenshire area. Montrose is not as close to Aberdeen but is on the main train route from the south. Peterhead is a greater distance away for Members travelling from the south and unfortunately is not accessible by train. All options appear to have suitable accommodation for a meeting of the Committee.

Format for meeting

It is suggested that on the day, in addition to taking evidence from the Minister, the Committee may wish to undertake a similar exercise to that in Kirkcudbright. This would entail taking evidence in the morning from a number of organisations to obtain information on how national priorities and spending plans impact on the local area, and the level of engagement local organisations have with the budget process.
**Procedure**

A fully costed request to hold a meeting outside Edinburgh must be made to the Bureau and other than in exceptional circumstances, such a request will not be considered unless it has been referred to it from the Conveners’ Liaison Group.

**Recommendation**

Members are asked to agree the date and format for the meeting and to decide a preferred location. The Clerks will bring forward a paper at a future meeting with detailed arrangements for the meeting and suggested witnesses for the session with local organisations.

David McGill
7 February 2002