FINANCE COMMITTEE

AGENDA

23rd Meeting, 2002 (Session 1)

Tuesday 19th November 2002

The Committee will meet at 10.30am in Committee Room 4 to consider the following agenda items:

1. **Budget process 2003-04:** The Committee will take evidence on a proposed amendment to the 2003-04 Draft Budget from—

   Nicola Sturgeon MSP.

2. **Budget process 2003-04:** The Committee will consider the Stage 2 budget reports of the Parliament's subject committees.

3. **Items in private:** The Committee will decide whether to consider a draft report at Stage 2 of the 2003-04 budget process in private at its next meeting.

4. **Homelessness etc. (Scotland) Bill (in private):** The Committee will consider a draft report.

David McGill
Clerk to the Committee
The papers for this meeting are:

**Agenda item 1**

Letter from Nicola Sturgeon MSP  
Submission from Nicola Sturgeon MSP  

**Agenda item 2**

Education, Sport and Culture Committee stage 2 budget report  
Enterprise and Lifelong Learning Committee stage 2 budget report  
Equal Opportunities Committee stage 2 budget report  
Health and Community Care Committee stage 2 budget report  
Justice 1 and 2 Committees’ stage 2 budget report  
Local Government Committee stage 2 budget report  
Rural Development Committee stage 2 budget report  
Social Justice Committee stage budget report  
Transport and Environment Committee stage 2 budget report  
Paper by the standing adviser to the budget process  

**Agenda item 4**

Homelessness etc. (Scotland) Bill - draft report  

PRIVATE PAPER
Des McNulty MSP  
Convener  
Finance Committee  
Scottish Parliament  
Edinburgh  
EH99 1SP

13 November 2002

Dear Des

**Consideration of Draft Budget 2003/04**

I understand from the clerks to the committee via SPICe that tomorrow is the final day for subject committees to make submissions on the Draft Budget 2003/04. I also understand that whilst it has not been done before, it is possible for individual MSPs to make representations to the Finance Committee on an alternative proposal to the budget proposed by the Executive.

With your permission I would like to do so.

As you will be aware, the Expert Group on Financial & other support reported last week and recommended that the Executive establish and fund a discretionary trust to make ex gratia payments to those people who contracted Hepatitis C through infected blood or blood products on the NHS. The Expert Group estimates that the maximum cost of implementing this recommendation will be £89 million.

It is my view that the Scottish Executive should agree to make these payments out of End Year Flexibility. However, decisions about EYF will not be made until well into next year and the Finance Committee has no locus whatsoever in the process.

I believe that the victims of this tragedy require a firm decision in principle from the parliament **now**. Therefore, I would like the Finance Committee to consider recommending an amendment to the draft budget to right the wrong that they have suffered and that has been compounded by the Executive's refusal to implement the Expert Group's recommendation.

To that end I would like to seek support from the Finance Committee for a proposal to transfer the required amount of money into the health budget as a special line item to cover the amounts required to establish the discretionary trust. My representation would be that £30 million, £30 million and £29 million be transferred from the DEL Capital budget for 2003/04, 2004/05 and 2005/06 respectively and allocated to the Health budget.

This would represent a 2% reduction in the DEL capital budget for those years but would still leave those budget heads with substantial increases over the years
concerned. This 2% reduction could be spread evenly across the capital budget for the relevant departments listed in table 0.05 of the Draft Budget document.

The result would be that the payments would be met from the budget as a whole and not just from the allocations for health. Disruption to the revenue budgets of the Scottish Executive would also be avoided.

It would, of course, be open to the Executive or the opposition parties to move during the debate on EYF that the money removed from the DEL capital budget should be replaced.

I would be grateful if you could consider my request and arrange for me to attend the committee to give evidence in support of this change.

Best wishes

Yours sincerely

NICOLA STURGEON MSP
PAPER TO FINANCE COMMITTEE

by

Nicola Sturgeon, MSP

Background

1. The Expert Group on Financial and Other Support, established by the Minister for Health & Community Care in March 2002, published an interim report on 6th November.

2. It recommended that:

"The Scottish Executive should establish and fund a discretionary Trust as a matter of urgency that will make ex gratia payments to all people who can demonstrate, on the balance of probabilities, that they received blood, blood products or tissue from the NHS in Scotland and were subsequently found to be infected with the Hepatitis C virus, as follows:

a) an initial lump sum of £10,000 to cover inevitable anxiety, stress and social disadvantage;

b) an additional lump sum of £40,000 to those who develop chronic hepatitis C;

c) in addition, those who subsequently suffer serious deterioration in physical condition because of their Hepatitis C infection e.g. cirrhosis, liver cancer or other similar serious condition(s), should be entitled to additional financial support (on an ongoing basis if necessary) as may be assessed appropriate by the Trust. This financial support should be calculated on the same basis as common law damages taking account of the payments made under a) and b) above;

d) where people who would have been beneficiaries of these arrangements are deceased and their death was not due to the Hepatitis C virus, the above payments should pass to their Executors. Where their death was due to the Hepatitis C virus, the Trust should provide for payments to be made to dependant children, spouses, partners or parents, as appropriate;

e) people who receive any payment under legal liability arising from alleged negligence or breach of statutory duty, from the Scottish Ministers, or any of the constituent authorities of the NHS in Scotland, in respect of having been infected with Hepatitis C should not qualify for these arrangements;
f) people who are already in receipt of payments linked to HIV infection from the Macfarlane Trust, Macfarlane Trust Special Payments Trust, Eileen Trust or the associated government Scheme of Payments should have these payments taken into account when additional financial support is assessed for the purposes of c);

g) people who have become infected with Hepatitis C as a result of the virus being transmitted from a person infected by blood, blood products or tissue from the NHS in Scotland shall be dealt with by the Trust on a similar basis to those who have been infected directly in this manner.”

3. The Expert Group estimated that implementing this recommendation would cost between £62 million and £89 million.

4. The Minister has indicated that he will not implement the Expert Group’s recommendation.

Proposal

5. I am seeking support from the Finance Committee for a proposal to transfer the required amount of money into the health budget as a special line item to cover the amounts required to implement the above recommendation. I propose that £30 million, £30 million and £29 million be transferred from the DEL Capital budget for 2003/04, 2004/05 and 2005/06 respectively and allocated to the Health budget.

6. This would represent a 2% reduction in the DEL capital budget for those years but would still leave those budget heads with substantial increases over the years concerned. This 2% reduction could be spread evenly across the capital budget for the relevant departments listed in table 0.05 of the Draft Budget document.

Objective of Proposal

7. The objective is to provide, over a three year period, the funds necessary to implement the above recommendation.

8. I have assumed that the cost of implementing the recommendation would be at the upper end of the Expert Group’s estimate.

9. There are no doubt other ways of allocating these resources from the budget. For example, the Scottish Executive could agree to make the payments out of end year flexibility. However, decisions on EYF will not be taken until well into next year. In my view, it is important that those who contracted Hepatitis C through NHS treatment should get a firm decision in principle from the parliament now.
10. It would, of course, be open to the Executive or the opposition parties to move during the debate on EYF that the money removed from the DEL capital budget should be replaced.

Nicola Sturgeon MSP
14 November 2002
The Scottish Parliament

Education, Culture and Sport Committee


The Committee reports to the Finance Committee as follows—

Introduction

1. Stage 2 of the budget process for 2003-04 began this year, exceptionally, with the publication of the figures resulting from the outcome of the Spending Review. These figures, published in Building a Better Scotland (BaBS), contain the total budget and the amounts for specific grants for Education (level 1), and the budget for Culture and Sport (level 1) and the amount allocated to Scotland’s bid for Euro 2008.

2. More detailed information was not available when the Committee took evidence at Stage 2 of the scrutiny process. If the process is to be more worthwhile the budget timetable must allow figures at level 3 to be available to members at this stage of budget scrutiny.

3. The Committee recognises the tension in providing figures at the level of detail necessary to enable appropriate and meaningful scrutiny and the need to reflect changes in budgetary allocations arising from the Spending Review. Members raised some concerns that the capacity of the Committee and the Parliament to make an effective contribution to the budget scrutiny process was greatly reduced by the resultant changes in budget allocations. The Committee recognises however that such changes are precipitated by the need to respond flexibly and appropriately to changing circumstances.

4. The Committee took evidence from the Minister for Tourism, Culture and Sport and the Minister for Education and Young People on Tuesday 29 October 2002. Evidence was also taken from the Executive officials Mike Ewart, Riona Bell and John Mason and Graeme Munro of Historic Scotland.

Issues

Museums

5. The Committee had previously expressed concerns about the level of funding for museums and had recommended that the Executive should outline its approach to supporting local, national and international collections. The Committee welcomes the National Audit of Museums and Galleries and the Executive’s subsequent consultation on its findings.
6. The Committee questioned the Minister over the comparison between the percentage increase in funding for museums and the arts in England and Wales and the increase in Scotland. The Minister responded that it was difficult to make direct comparisons but did appreciate the concerns over a drain in expertise that this could cause, for example in the area of funding for theatre in Scotland compared to England and Wales.

7. The Minister’s response to the Committee’s Stage 1 Budget report states “Ministers consider that it is not possible for the Executive to secure the future of nationally important collections which are not the responsibility of the National Institutions.” The Committee is concerned by this as the National Audit has shown that collections of national importance are distributed across Scotland and are not solely held by the National Museums of Scotland.

8. A briefing paper prepared by Jackie Baillie and Michael Russell for the Committee on Scotland’s Museums recommended that a short-life working group be established to draw up a model for the future of museums. The Committee recommends that this be done, after considering the results of the current consultation.

Arts funding
9. The Committee considers that a framework for the funding of the Arts should be developed as greater security of funding and a longer term vision are required. The Committee has recommended that a baseline study of funding should be undertaken and James Boyle, Chairman of the Scottish Arts Council, has also endorsed this view. The Minister has said in evidence that discussions on this issue are incomplete and the Committee wishes to reiterate its position to the Minister for consideration of this option in future discussions.

Historic Scotland
10. The Committee is concerned by the recent underspend in Historic Scotland’s grants budget. The Committee has already raised this issue in its report to Local Government Committee at Stage 1 of the Public Appointments, Public Bodies etc (Scotland) Bill. The Committee remains concerned, despite the Minister’s assurances that the underspend was only a recent phenomenon, about the monitoring of the grants budget. The Committee notes that any underspend in the grants budget remains within Historic Scotland’s overall budget. The Committee recommends that the situation be kept under review.

Gaelic Medium Education
11. The Committee welcomes the additional funding to be made available for Gaelic Medium Education but is concerned that there may have been practical difficulties in the take up of the funding by some local authorities. While the Minister stated that with one exception he was not aware of any demands for Gaelic Medium Education not being met, he appreciated that there was also a role for creating need. The Minister also confirmed that he would continue to discuss any difficulties being experienced by individual authorities.
Education

Sure Start
12. The Committee had suggested that the Executive may wish to consider increasing the amount of funding to Sure Start, thereby further improving on the target of 5,000 additional children to be supported as outlined in the “Programme for Government”. The Committee therefore welcomes the commitment to continue to support early years intervention by the provision of additional funding through Sure Start Scotland.

Monitoring
13. The Committee is keen to see robust monitoring methodologies in place. The Committee notes the Executive’s intention to keep close contact with Local Authorities involved in local outcome agreements and to update committees on progress. The role of the HMIE in the monitoring of developments in schools and Local Authorities through regular inspections and the targets being set for schools within the National Priorities Framework are recognised as important mechanisms in delivering national and local priorities.

McCrone Funding
14. Some Local Authorities have expressed concern at the level of funding available for the full implementation of the McCrone agreement. The Minister was aware of this concern and reassured the Committee that funding levels had been agreed and set following tripartite discussions with the Executive, CoSLA and the Unions.

Social Work Training and SEN Provision
15. The Minister has undertaken to supply further information to the Committee on proposals and funding for social work training and to clarify the position regarding SEN funding to Grant Aided Schools.
Enterprise and Lifelong Learning Committee

Remit and membership

Remit:

To consider and report on matters relating to the Scottish economy, industry, training and further and higher education and such other matters (excluding transport) as fall within the remit of the Minister for Enterprise, Transport and Lifelong Learning; and on matters relating to tourism which fall within the responsibility of the Minister for Tourism, Culture and Sport. (As agreed by resolution of the Parliament on 13 June 2002)

Membership:

Alex Neil (Convener)
Rhona Brankin
Brian Fitzpatrick
Miss Annabel Goldie (Deputy Convener)
Mr Adam Ingram
Gordon Jackson
Marilyn Livingstone
Mr Kenneth Macintosh
David Mundell
Tavish Scott
Andrew Wilson

Committee Substitute

Mr David Davidson

Committee Clerking Team:

Clerk to the Committee
Simon Watkins

Senior Assistant Clerk
Judith Evans

Assistant Clerk
Jane Sutherland
Enterprise and Lifelong Learning Committee

Stage 2 Budget 2003-04

The Committee reports to the Finance Committee as follows—

Introduction

1. Stage 2 of the budget process began this year, exceptionally, with the publication of the figures resulting from the outcome of the Spending Review (SR). These figures, published in Building a Better Scotland (BaBS), contain the total budget for Enterprise and Lifelong Learning (level 1), and the amounts for the major budget headings such as the Enterprise Networks and the Funding Councils for Further and Higher Education (level 2).

2. More detailed information was not available in time for the Committee’s Stage 2 scrutiny process, due to the outcome of the Spending Review (SR). This disruption of the process has made it more difficult for the Committee to hold the Executive to account this year, and similar problems have arisen in the past.

3. The Committee recognises the tension between providing figures at a level of detail to enable appropriate scrutiny and the need to reflect changes in budgetary allocations. However, the Committee remains concerned that the capacity of the Committee and the Parliament to make an effective contribution to the budget scrutiny process could be affected by the speed of change.

4. The Committee recommends that the Finance Committee, in conjunction with the Executive, review the budget scrutiny process for the future to improve the Parliament’s subject committee’s ability to contribute effectively to the process.

5. The Committee took evidence from the Minister for Enterprise, Transport and Lifelong Learning on Tuesday 8 October 2002.

Issues

Out-turn figures

6. This year the Committee received, for the first time, un-audited outturn figures for financial year 2001-02, in time for the Stage 2 process. The Committee welcomes the draft outturn figures for 2001-02 for Stage 2, and looks forward to the provision of these figures being incorporated as part of the Stage 2 scrutiny process in future, preferably at level 3.

Resource Account Budgeting

7. The Committee notes the inclusion, again for the first time, of the full implications of Resource Account Budgeting. Although the inclusion of these figures has made some comparisons more difficult, the Committee considers that Resource Account Budgeting will allow more effective scrutiny in the future.
Scottish Enterprise

8. Members queried the levels of spend for the Enterprise Networks, noting that total budgets were scheduled to fall. The Minister noted that some £45 million would be released back into the budget due to the business transformation project.

9. The Committee recommends that future budget documents contain clear information on the amount of funds released by the business transformation project, and the budget headings to which these funds have been diverted. The Committee recommends that its successor keep a watching brief on the development of this process.

10. During his oral evidence session, the Minister stated that it was his intention to move Scottish Enterprise from an annual budgeting process to a three-year budgeting process.

11. The Committee welcomes the Executive’s move to a three-year budgeting process for Scottish Enterprise.

12. The Committee recommends that the Executive review the potential for three-year budgeting to be extended to Highlands and Islands Enterprise, and the Scottish Funding Councils for Further and Higher Education.

13. The Committee welcomes the information which was provided at Stage 1 for Scottish Enterprise, which helped to increase the transparency of spending. The Committee regrets that this level of information was not available from the Executive at Stage 2.

Support for further and higher education

14. The Committee welcomed the significant additional resources for further and higher education within the proposed budget. The Committee was pleased to note that priorities it had identified in past reports, for example additional funding for science research, were continuing to be supported. Members also welcomed the commitment from the Minister to seek within the envelope of resources to ‘respond properly and appropriately to the HE review and to the committee’s final report’.¹

15. The Committee welcomes the additional funding for further and higher education, and the Minister’s commitment to respond to the Committee’s report.

Impact of Research Assessment Exercise 2001

16. The Committee noted with pleasure that Scottish higher education institutions had performed particularly well in the Research Assessment Exercise 2001. The Committee would welcome reassurance that the increase resources for research funding reflect the level of improvement.

17. The Committee seeks additional information on the impact of the RAE 2001 on higher education core research funding.

¹ Iain Gray, Official Report col 2898, 8 October 2002
ELL ‘Other’ budget
18. A significant (and increased since the SR) proportion of the ELL budget for 2003-04 is classified at level 2 figures as ‘other’. The figure amounts to around 3.5% of the post-SR spending plans for the ELL department for 2003-04 (compared to around 3% of the pre-SR plans), and reaches almost 5% of spending plans for 2005-06. This represents a 69% increase over the period.

19. The Minister informed the Committee that this increase was largely due to the roll-out of the Educational Maintenance Allowance, and to implement the recommendations of the Working Group on Education and Enterprise, which is due to report later in the year. Members welcomed the roll-out of the Education Maintenance Allowance.

20. The Committee welcomed the Minister’s commitment to provide figures at level 3 which would identify each budget heading under ‘other’ of more than £1 million.

Cross-cutting spend
21. At Stage 1 of the budget process, the Committee had requested additional information on cross-cutting budgets. This information had been provided, although members noted that the information related in the main to budgets which had to cut across departments for statutory reasons.

22. The Committee recommends that future budget information should contain clear information on policy-driven cross-cutting budgets, to enable members to scrutinise policy drivers as well as Departmental spend.

Additional information
23. The Committee sought additional information on the budget documentation as follows:

European Structural Funds
24. The Committee noted that the loss of European Structural Funds would have a serious impact on various elements of the ELL budget portfolio.

25. The Committee seeks additional information on the Executive’s analysis of the scale and impact of the loss of European Structural Funds, and the measures proposed within the ELL budget to alleviate this impact.

Improving Regulation in Scotland (IRIS) unit
26. Members raised some concerns about the level of output from the IRIS unit. The Minister made reference to outputs such as the Enforcement Concordat, and members noted the Minister’s commitment to pursue the work of the IRIS unit.

27. The Committee seeks additional information on plans and performance for the IRIS unit.
Equal Opportunities Committee

Stage 2 Report to the Finance Committee on the 2003/04 Budget Process

The Committee reports to the Finance Committee as follows—

Introduction

1. The Scottish Executive response to the Equal Opportunities Committee Stage 1 Report on annual expenditure report (AER) of the Scottish Executive "The Scottish Budget 2003-04"\(^1\) was received on 3 October 2002 and is reproduced as Appendix 2. The Equal Opportunities Committee has considered the Scottish Executive response in conjunction with the newly published “Building a Better Scotland”\(^2\) and reports its views to the Finance Committee.

Background

2. The Scottish Executive has widely publicised its commitment, not only to equality, but also to mainstreaming equality within all processes including the Budget. Naturally it shares this commitment with the Equal Opportunities Committee, colleague committees and the Scottish Parliament as a whole. The new approach has usefully been discussed in the previous two budget rounds, adding to the development of the conceptual framework.

3. The Committee accepts that in a process where equality has been mainstreamed into the policy from the outset, then this is more likely to result in a budget which demonstrates equality ("mainstreaming equality"): where there is a policy which has not had equality built in from the outset, then it is more likely that the Budget (whilst not the most effective place to perform such action) will require activity to ensure effective analysis of impact ("equality proofing").

4. The Equal Opportunities Committee initially called for a de minimis level of equality proofing of Scottish Executive budgets in June 2000, arguing that the Scottish Executive should, via the AER, “[include] in their spending plans an element for equal opportunities and to indicate a commitment to a gender impact study in their area of responsibility”\(^3\).

5. Following further research and consultation in June 2001 the Equal Opportunities Committee formally recommended, inter alia, that the AER

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\(^1\) "The Scottish Budget 2003-04 Summary", Scottish Executive, April 2002
\(^2\) "The Scottish Budget 2003-04 Detail", Scottish Executive, April 2002

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contain “An impact assessment on sectional groups of society”, based on Schedule 5 of the Scotland Act 1998”.

6. At the end of 2000, the Scottish Executive committed to:

<table>
<thead>
<tr>
<th>Action</th>
<th>Completion Date</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>Develop mechanisms for equality impact assessment of budgets and spending plans</td>
<td>First phase: Autumn 2001</td>
<td>Systems and tools for the equality impact assessment of budgets and spending plans</td>
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<tr>
<td></td>
<td>Pilot phase: Winter 2002</td>
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7. Having considered the 2003/04 AER the Equal Opportunities Committee made four recommendations, which the Scottish Executive have replied to, in due course.

8. In their report on the AER the Finance Committee agreed with the serious need for progress in the area of equality proofing the budget and made the following recommendation:

“The [Finance] Committee therefore recommends that the Executive and the Equal Opportunities Committee agree a working definition of ‘equality proofing budgets’ and a mechanism for ensuring the equality strategy is reflected in budgetary allocations. It is essential to adopt a consistent approach to this issue.”

Building a Better Scotland (BABS)

9. However, in the period between reporting on Stage 1 of the Budget Process, using the 2003/04 AER, the Scottish Executive published the results of its Spending Review “Building A Better Scotland” on 12 September 2002. In describing the spending review during Stage 1 evidence in March 2002, the Deputy Minister for Finance and Public Services stated:

“As I said, we have just started the three-year forward look on our budgets and departments are beginning to prepare submissions for the next three-year spending period. We plan to use that forward look explicitly to scrutinise bids against equality criteria. Each department’s bid for every new item of expenditure for the coming spending period will be tested against whether it contributes to closing the equalities gap. That will help to roll forward thinking on equality through the budget process and will have an impact for at least the next three years.”

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7 ibid.
8 Equal Opportunities Committee, Official Report, 5 March 2002, col. 1377
10. However, an initial analysis of the BABS document has not revealed either general or specific alterations assigned to what this Committee considers might be classified as equal opportunities spend: there are however several statements contained within targets and objectives which would broadly appear relevant. Given their number, they are detailed below:

“…we recognise the threads running across these priorities [health, education, crime, transport and jobs] and we have established cross-cutting themes on closing the opportunity gap and sustainable development. These are the issues that matter most to the people of Scotland, and they form the basis for all of our work” (Para 3)

Objective “To promote inclusion and equality” [under Education] (para 6)

“We will tackle discrimination and inequality and improve the access to services of disadvantaged groups by working to mainstream equality across the Executive and the public sector” (para 28)

“Increase the opportunities for people to get involved in volunteering and promote equality mainstreaming within the Scottish Executive and across the public sector” (Social Justice, Objective 5, page 41)

“increase awareness of inequality through campaigns such as Close the Gap initiative on equal pay for men and women” (page 41)

“introduce free local off-peak bus travel for elderly people and those with a disability – making it easier for them to travel, improving their quality of life” (page 46)

11. The details of what criteria, and related processes, were used by the Scottish Executive to evaluate their contribution to closing the equality gap, have not been made available to the Committee. However, the Scottish Executive then went on to publish a more detailed statement of current action, new objectives, targets and funding streams for the 2003-06 Scottish Budget, aligned against the cross-cutting theme of closing the opportunity gap.9

Analysis of Scottish Executive Responses

12. Extracts of the Equal Opportunities Committee recommendations, and the eventual Scottish Executive response to each are reproduced below, under the heading “Response Analysis”. The full text of the Scottish Executive response is attached as Appendix 2.

R1 That the Scottish Executive provide further details, including earmarked resources and time specific targets, in respect of their proposal to equality proof the allocation of new resources.

SE Response: We are working with the EPBAG (Equality Proofing Budget Advisory Group) and will provide the [Equal Opportunities] Committee with a definition of equality proofing later this year. No decision has been made on whether we will tackle all resources or just new resources first but research has

9 “Closing the Opportunity Gap – Scottish Budget for 2003-06”, Scottish Executive, 8 October 2002
clarified that developing equality proofing techniques will take a number of years and we are just at the start of this process. However through the Spending Review one of the priority cross-cutting areas was closing the opportunity gap, a key element of which is addressing inequality. For all spending we were looking at the contribution being made to closing the gap – the summary document\textsuperscript{10} highlights this.

13. The Committee accepts both that developing equality proofing and mainstreaming equality techniques will take a number of years, and that both the Scottish Executive and the Scottish Parliament are at an early stage of the process. The Committee further notes that the gender impact assessment, first suggested as a de minimis measure by this Committee in 2000, has yet to be adopted. Nevertheless, the Committee remains encouraged by the fact that the EPBAG has reported that gender impact analysis provides a suitable model for progressing work. Furthermore the Committee has agreed to work with the Scottish Executive, in order to progress the equality proofing of budgets work, and will be taking part in a seminar to discuss this further.

14. Whilst the Committee is aware of the pioneering work that has been done on gender impact analysis (including certain aspects of the Scottish Office\textsuperscript{11}, let alone Scottish Executive budgetary work\textsuperscript{12}) it recognises that the strategy (and accompanying tools) will only be effective in the long run if it is capable of being understood, widely accepted, systematically resourced and implemented and, most crucially, seen to deliver results.

15. The Equal Opportunities Committee considers that it has yet to see any evidence within budget documentation of the Scottish Executive work to date, or implementation of the EPBAG recommendations. This despite the previous statements of intent that the Scottish Executive would equality proof new spend.

16. As such the Committee considers that the statement in “Closing the Opportunity Gap” on page 31 that “In our work so far, we are helping to close gaps in the following ways:...equality proofing the budget as a whole” appears to be rather premature.

\textbf{R2 That the Scottish Executive provides further details on the options available to Scottish Ministers in respect of setting equality targets as part of the triennial quango discussions.}

\textbf{Response:} Ministers have a duty to support public bodies with regular guidance, which includes guidance on the outcomes which Scottish Ministers expect the public body to achieve and how these are to be monitored. Where appropriate, this guidance may refer to outcomes that address existing inequalities.

\textsuperscript{10} Taken to be “Building a Better Scotland”, ergo ibid.

\textsuperscript{11} Toolkit for Mainstreaming Equal Opportunities into Structural Fund Programmes in Scotland, Scottish Executive, January 1997, Rona Fitzgerald, Research Fellow, EPRC, University of Strathclyde,

\textsuperscript{12} “Toolkit for mainstreaming Equal Opportunities in the European Structural Funds: A practical guide to plan, preparation and implementation”, Scottish Executive
17. The Equal Opportunities Committee has previously pointed out what it considers to be the advantages of using the opportunities offered by the new Race Relations Orders to encourage, inter alia, NDPBs to set equality targets. Given the positive manner in which the Scottish Executive originally approached this possibility (indeed, the Deputy Minister for Finance and Public Services initially raising the point in evidence), the Scottish Executive response is somewhat muted, particularly in view of the later detail contained in “Closing the Opportunity Gap”.

R3 That the Scottish Executive include an overarching equality statement in future AERs.
Response: The Scottish Executive accepts that it is important for equality to be reflected in the AER and will consider, in consultation with Equality Proofing Budget Advisory Group, how equality issues can best be reflected in future publications. In the detailed Draft Budget an equality statement will be included in the introduction. We will continue to highlight progress in equality proofing in future budget documents, as agreed with the EPBAG earlier this year and noted by Peter Peacock when he meet the EOC.

18. The Committee notes the commitment made to include an overarching equality statement in the draft AER and commends it. (This said, the Committee repeats its earlier points that it need not expect the AER to become a single encyclopaedic resource. The use of BABS and “Closing the Opportunity Gap” highlights the benefit that (timeous) publication of subsidiary documents may bring.) The Committee further commends the Scottish Executive intention to highlight progress against equality proofing in future budget documents.

R4 That the Scottish Executive publish the guidance given to Departments on setting targets for the AER (with specific reference to those circumstances when it is acceptable not to set targets) together with a statement on steps taken to ensure consistency across chapters and Departments.
Response: The guidance is internal and therefore not published. In Scotland’s Budget 2003-2006 key objectives and targets are set out. I understand that representatives of equality organisations giving evidence to the committee commented on the inclusion in p. 270 of the AER document of the objective, “Work towards reflecting our commitment to promoting equality in our policies and budgets” with no accompanying target. I have made enquiries as to the reason for this inclusion, and I am informed that this item was actually a title that should have been in bold. The objectives below it each contain targets. I am sorry that this has caused confusion.

19. The Committee notes that the Scottish Executive would appear not to have given a concrete answer on internal measures taken to ensure consistency across the budget process. In this the Committee sees a similarity in the fact that the Scottish Executive have not made transparent the equality criteria and outcomes that policies must compete against in order to secure funding and inclusion in either BABS or Closing the Opportunity Gap.

14 Equal Opportunities Committee, Official Report, 05 March 2002, col. 1380
Conclusion

20. The Committee considers that the Scottish Executive is progressing towards both mainstreaming equality into policy development and equality proofing budgets, and agrees with the Scottish Executive statement that “Over the last 3 years, a great deal has been achieved.” However, the Committee is keen to work with the Scottish Executive in order to progress this vital work, and will take part in the initial seminar.

21. The Scottish Executive further states on 8 October 2002 “Initially, a significant barrier was a lack of information about the nature of the problems that had to be tackled. Much progress has since been made in assembling that information and this has allowed Ministers to identify and prioritise problems and develop policies to tackle those problems.”

22. However, the Committee recalls the publication of “Equality In Scotland: A guide to Data Sources” in July 2000, followed in December 2000 by the four “Equality In Scotland” statistical guides on ethnic minorities, older people, disabled people and women and men. A statistical profile of Scotland, under ten key social policy areas was published in March 2001 and in March 2002, the latest version of the four equality guides were published, together with the statistical report “Social Focus on Woman and Men”.

23. The work therefore by the Scottish Executive towards gathering relevant data is apparent and the latest AER did show some areas where equality had clearly been mainstreamed, making best use of the increasing range of data to enable evidence based policy making. However, given what can already be done with what is currently available the Committee considers that greater effort must be made in the next AER in order to demonstrate that such data as currently exists is used in making the decisions that result in the allocation of resources within the budget.

24. The Scottish Executive consideration of a first move being the use of a “Gender Impact Analysis” methodology is encouraging and does offer the prospect of comparisons in working with other countries, as well as building on the expertise in processing application for European Structural Funds, which Scotland has built up. However, whilst the use of the gender impact analysis approach does offer an opportunity to start asking the right types of questions, the Committee will require reassurance that tools to work with the widest possible range of category of equalities groups are rapidly identified as a result of the initial work.

25. Naturally the Committee will consider these discussions to date, and current proposals, as complementary to its ongoing inquiry into mainstreaming equality into the work of committees of the Scottish Parliament.

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15 “Closing the opportunity Gap Scottish Budget for 2003-06”, Scottish Executive, page 2
16 ibid.
17 “Scottish Social Statistics”, Scottish Executive, 15 March 2001
Appendix 2

SCOTTISH EXECUTIVE RESPONSE TO THE STAGE 1 2003/04 BUDGET REPORT BY THE EQUAL OPPORTUNITIES COMMITTEE

I am writing to respond formally to the recommendations contained in your Committee’s Report to the Finance Committee on stage 1 of the budget process. I apologise for the delay in responding to the Committee on this matter.

We do of course share your commitment to equality-proofing the budget process. Through the Equality Proofing Budgets Advisory Group we are developing mechanisms for equality impact assessment of budgets and spending plans. This challenging work is being taken forward in partnership with the statutory equality bodies and other external agencies.

We are keen to see work on equality-proofing the budget develop in each year’s AER. And we welcome the Committee’s comments and recommendations. The attached Annex provides a response to your Committee’s recommendations and I hope that you find the information helpful.

MARGARET CURRAN

R1 That the Scottish Executive provide further details, including earmarked resources and time specific targets, in respect of their proposal to equality proof the allocation of new resources. –

Response: We are working with the EBPAG and will provide the Committee with a definition of equality proofing later this year. No decision has been made on whether we will tackle all resources or just new resources first but research has clarified that developing equality proofing techniques will take a number of years and we are just at the start of this process. However through the Spending Review one of the priority cross-cutting areas was closing the opportunity gap, a key element of which is addressing inequality. For all spending we were looking at the contribution being made to closing the gap – the summary document highlights this.

R2 That the Scottish Executive provides further details on the options available to Scottish Ministers in respect of setting equality targets as part of the triennial quango discussions.

Response: Ministers have a duty to support public bodies with regular guidance, which includes guidance on the outcomes which Scottish Ministers expect the public body to achieve and how these are to be monitored. Where appropriate, this guidance may refer to outcomes that address existing inequalities.

R3 That the Scottish Executive include an overarching equality statement in future AERs.
**Response:** The Scottish Executive accepts that it is important for equality to be reflected in the AER and will consider, in consultation with Equality Proofing Budget Advisory Group, how equality issues can best be reflected in future publications. In the detailed Draft Budget an equality statement will be included in the introduction. We will continue to highlight progress in equality proofing in future budget documents, as agreed with the EPBAG earlier this year and noted by Peter Peacock when he meet the EOC.

**R4** That the Scottish Executive publish the guidance given to Departments on setting targets for the AER (with specific reference to those circumstances when it is acceptable not to set targets) together with a statement on steps taken to ensure consistency across chapters and Departments.

**Response:** The guidance is internal and therefore not published. In Scotland’s Budget 2003-2006 key objectives and targets are set out. I understand that representatives of equality organisations giving evidence to the committee commented on the inclusion in p. 270 of the AER document of the objective, “Work towards reflecting our commitment to promoting equality in our policies and budgets” with no accompanying target. I have made enquiries as to the reason for this inclusion, and I am informed that this item was actually a title that should have been in bold. The objectives below it each contain targets. I am sorry that this has caused confusion.
Introduction

1. The Scottish Executive’s revised spending plans for 2003-04 were published on 31 October 2002. These included additional monies coming to Scotland from the UK Spending Review in July 2002. The Executive’s document, Draft Budget 2003-04 contains spending at levels 1, 2 and 3.

2. The 2002 Spending Review revises existing plans for 2003–04 and outlines new plans for 2004-05 and 2005-06. The budget of the Scottish Executive Health Department has three level 2 components, with the bulk being made up by hospital, community and family health services.

3. Overall the Health budget is planned to increase by 21 per cent in real terms between 2002-03 and 2005-06. This compares with a real terms increase of over 14 per cent in the total Scottish budget over the same period. This means that health spending will by 2005-06 overtake local authority funding to form the largest part of the Scottish budget.

4. In addition on 21 October 2002 the Minister for Health and Community Care announced that the mental health specific grant will rise by £20m in 2003-04. The Minister also announced on 28 October 2002 that expenditure on additional community places would be increased by £30m in the next 3 years.

5. The Committee took evidence from the Minister of Health and Community Care on Wednesday 6 November 2002.

Issues

Baseline and additional expenditure

6. The Committee still has concerns about the lack of clarity when trying to distinguish between baseline expenditure and additional expenditure. The Minister confirmed that there are certain problems with separating the figures into baseline expenditure and additional expenditure. He went on to add—
That is not to say that we should not try to flag up what the additional money is and what it is being used for, but there are complications in doing so. (HC, col 3361)

7. The Committee whilst noting that there may be difficulties in differentiating between base line expenditure and additional expenditure expects the Executive to pursue this to a satisfactory conclusion. Without this essential information the Committee cannot satisfactorily engage in the scrutiny of the budget.

Targeting of clinical priorities
8. The Committee is still frustrated by the lack of transparency in health spending. Although the Health Service Costs book is a good source of detailed information the Committee would still prefer the annual publication of spending on programmes.

9. The Minister in his evidence outlined the Executive’s priorities for next year—

Health improvement; delayed discharges; 48-hour access to primary care; cancer; coronary heart disease and stroke; mental health; health care-acquired infection; waiting times; public involvement; work force development; financial break-even, which is not irrelevant, because if a board does not have money, it cannot do any of those; and, last but probably the most important overarching priority of all, service redesign. Unless boards engage in service redesign, they will probably not deal with many of the problems that they face in relation to waiting, cancer or mental health, for example. (HC, col 3363)

10. The Committee is concerned about the length of the list of priorities. We recommend that spending on priorities is quantified wherever possible. The Committee would like assurances from the Minister that the Executive will monitor spend in these priority areas and that it will be possible in future budget reports to track spending on health priorities in order to help the Committee ascertain whether the money is making a difference.

Clinical effectiveness
11. The Committee queried how clinical effectiveness was measured and reported. The Minister indicated that there are different ways of measuring clinical effectiveness. The work of the Clinical Standards Board for Scotland represents a new development by setting national standards and ascertaining whether those standards are being implemented in the various parts of the health service. In addition clinical indicators are being deployed to ensure quality of service.

Future expenditure
12. Members sought information from the Minister regarding figures being available for planned expenditure using the examples of NHS 24 and measures to improve recruitment and retention of NHS frontline staff. The Minister agreed that some of the budget lines might be at a lower level and that it might be possible to give more detailed information. The Committee recommends that the Minister provide this information for future budget scrutiny.
13. The Committee also asked if the Minister was confident that the proposed allocations would allow health boards to meet the costs of the new consultants contract, if implemented, and any increase in nurses pay that might result from the pay review process. He confirmed that money for pay was still agreed at a UK level which was reflected in the Scottish health budget.

14. The Committee agreed to seek clarification from the Minister on the pay bargaining process and how this operates under devolution, especially in relation to the new consultants contract which has been accepted in Scotland and Northern Ireland but not in England and Wales. It would be helpful if the Minister could clarify what if any role the Scottish Executive has in UK pay bargaining.

Transparency and public involvement

15. More information was sought by the Committee on public involvement in local and national decision making on health expenditure. The Minister confirmed that—

I am committed to having greater transparency. I am aware that members will not be satisfied with the degree of transparency in the health budget. I am not satisfied with it, either. There are inherent difficulties, which we have described previously, that relate mainly to the fact that such a large proportion of the health budget is assigned to NHS boards. (HC, col 3368)

16. The Committee is extremely concerned that the Minister has indicated that he is dissatisfied with his ability to monitor budget expenditure. The Committee since 2000 has highlighted the difficulties in carrying out full scrutiny of the budget due to the lack of transparency and information available. The Committee continues to be totally and utterly dissatisfied with the level of information which is available to the Committee and the Minister. We seek assurances that this failure to provide relevant information will not be repeated in future budget documents. The Committee recommends that the Minister come forward with proposals to allow for greater transparency.

17. We would also wish to see highlighted in the budget document monies allocated for the provision of free personal care under the Community Care and Health (Scotland) Act 2002 and the provision of mental health services arising from implementation of the Mental Health (Scotland) Bill.

Postcode treatment

18. Postcode prescribing has been of continuing interest to the committee and the Minister accepted that on some matters it is unacceptable to have postcode care. (HC, col 3368) He went on to say that NHS boards should be following Health Technology Board for Scotland (HTBS) advice on drugs and ensuring that those drugs are available to meet clinical need.

19. The Committee feel that what happens in practice is not reflected by the Minister's statement. A member during questioning raised the following point—
The problem is that, at the local level, the advice does not seem to be followed in practices. MSPs’ post-bags are full of letters from patients who say that, if they lived three doors up, they would be in a different NHS board area and would be able to get a different drug. That is the problem with postcode prescribing. The principle might be right but the right thing is not happening on the ground.

20. **Given the concerns raised by members the Committee recommends that the Executive ensures that all health boards comply with HTBS advice and make sure drugs are available to meet clinical need.**

**Unmet need**

21. The Minister was questioned about progress with regard to identifying unmet need in relation to the allocation of spending in the NHS under the Arbuthnott formula. He confirmed that a sub-group of the Arbuthnott group was considering the issue and he was awaiting its report. The Executive is also developing health inequality indicators. It has already decided to look at the area of mortality from coronary heart disease among people under the age of 75. Figures show some shocking inequalities between different social groups.

22. **The Committee welcomes the work of the Executive in this area and looks forward to examining the report on unmet need when it becomes available.**

**PPP/PFI**

23. The Committee during Stage 1 of the budget consideration recommended that the Executive provide details of all PFI contracts. The Executive has agreed that in future the Annual Expenditure Report will include details of payments made and to be made by NHS Boards and Trusts for signed PPP/PFI contracts.

24. Due to the Executive being unaware of information being deleted from contracts with private companies for reasons of its commercial sensitivity the Committee still has concerns about the validity of information available.

25. **The Committee recommends that where information is withheld from PPP/PFI contracts by reasons relating to commercial confidentiality, clear notification of that fact should be made on the face of the published documentation.**

26. **We also ask the Executive to provide information on the value of capital receipts released when health boards dispose of land and buildings. The information should include detail of the date of transfer and the purpose to which they were applied on receipt. We appreciate that the point extends beyond the specific issue of PPP/PFI.**

**Chronic pain and neurological services**

27. With regard to chronic pain services we recommended at the conclusion of Stage 1 that the Executive allocate money from the new resources to provide comprehensive chronic pain services throughout Scotland and that neurological services be improved with an increase in the number of neurologists and neurological nurses in Scotland.
28. The Executive in its written response treated the recommendations quite differently. Regarding chronic pain the Executive concluded that ringfencing of funds would not be a desirable course of action as this would remove local discretion and flexibility. However, regarding neurological services the Executive accepted the need for improvements in access to services and treatment. The Committee welcomes the Executive’s consideration of additional training posts for neurological services. However, we seek confirmation from the Executive on the number of additional training posts for neurological services that will be allocated from the increase of 375 junior doctors.

29. The Committee cannot understand the different approach by the Executive to these two areas. It is for the Minister to determine national priorities for spending and service development and for local agencies to secure their delivery on the basis of local assessment of needs, as these vary. There has been overwhelming public interest in the subject of chronic pain. The Committee is concerned that there are few signs of the Executive responding positively to public pressure. The Committee is still not satisfied by the Minister’s answers on whether or not the current national provision of chronic pain services is adequate. The Committee wishes clarification from the Minister on whether or not he considers the current national provision to be adequate, and if not, what expansion is needed?

30. The Committee will continue to monitor chronic pain services and awaits the Executive’s response to points raised in conjunction with other work by the Committee in this area.
Justice 1 & 2 Committees

Stage 2 of the Budget Process 2003-04

The Committees report to the Finance Committee as follows—

General

1. The Justice 1 and Justice 2 Committees met on 2 October, 2002 to take evidence on Stage 2 of the Budget Process. Evidence was taken from the Minister for Justice and from the Lord Advocate.

2. As part of this process, the Committees covered four distinct areas, namely—

   (i) responses received to the Committees’ Report on Stage 1 of the budget process;

   (ii) issues arising out of the 2002 Spending Review for planned expenditure in 2004-05 and 2005-06;

   (iii) changes in planned spending as revealed in the ‘Building a Better Scotland’ spending proposals for 2003-04 as compared with the figures for that same year in the ‘Annual Expenditure Review 2002’ (AER 2002); and

   (iv) the impact of End-Year-Flexibility for spending in 2002-03.

3. In two separate sections, this report offers the Committees’ conclusions on the general budget situation in the Justice Department and in the Crown Office and Procurator Fiscal Service respectively. A further section is dedicated to making some general observations on the budget process itself.

The Justice Department

4. The Committees had difficulty reconciling the declaration in ‘Building a Better Scotland’\(^1\) that crime is identified as one of the ‘five priorities for action’ with the fact that the Justice Budget is set to decrease as a share of the Executive’s total managed expenditure – from 3.54% in 2002-03 to 3.22% in 2005-06. Even when one includes Justice Support to Local Authorities, there is a fall from 5.72% to 5.34% in the years 2002-03 to 2005-06.

5. It is clear, when the Committees looked at the table on page 14 of ‘Building a Better Scotland’, that real spending in Justice is set to grow at an annual average of 1.3% while the Total Budget grows at an

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average of 4.6% over the period 2002-03 to 2005-06. The Minister pointed out that if one includes GAE support for Police and Fire then the growth is nearer to 3.3%, and that if one subtracts the effects of generous provision to the contingency fund, then real annual growth in the Total Budget spending would be nearer to 4.4% over the period.

6. **The Committees are disappointed that the relative importance of Justice in the Scottish Budget is set to decline, and this is clearly inconsistent with the position of Justice as one of the Executive’s five priority areas for action.**

7. The discussion of the provision of a Time-Out Centre in Glasgow highlighted an area where the Committees feel that the Executive is failing to realise the most efficient allocation of resources flowing from the Scottish Budget. This is part of a general problem sometimes manifested in situations whereby national bodies often find themselves applying for funding to up to 32 local authorities for funds that are actually made available for the purpose in question by the Executive. In this particular instance, the essence of the Committees’ concern is that the effective ceding of this resource (the Time-Out Centre) to the control of one particular local authority effectively prevents the available places being allocated across the country to those who are in greatest need and who would benefit most. The Minister explained that the majority of clients for this service would, in reality, come from Glasgow, but the fact remains that there is no mechanism in place to pay regard to the needs of the wider community for what is a centrally provided resource.

8. **The Committees considered that it would be wise for the Executive to learn from past experiences, when local authority boundaries have meant that flexibility has not been as optimal as it could.** This is a concern that is revisited below when Secure Accommodation is considered.

9. The Committees welcomed the announcement of 25 additional places in Secure Accommodation and were assured by the Minister that these were, indeed, additional to the current number already in place. There was, however, some incredulity expressed by members at the finding of ‘The Secured Accommodation Advisory Group’ who had reviewed the area and reported to Ministers that there was a lack of evidence to support an increase in places. As one specific example, it was reported that in the Borders there is a manifest shortage of such places.

10. The Committees returned to a point made in their Stage 1 report, namely that given the strong, albeit not universal, linkage between children needing Secure Accommodation and the possibility, if unchecked, of subsequent encounters with the criminal justice system then the entire budget for Secure Accommodation would be better recorded and administered under the Justice Budget. This would be a
comprehensive budget for the whole range of Secure Accommodation. The Minister explained that, strictly speaking, only some 20% of the use of Secure Accommodation places was as a consequence of the working of the criminal justice system (specifically under sections 205 and 208 of the Criminal Procedure (Scotland) Act 1995). But the Committees’ view is that, in fact, use of all of these places often involves, directly and indirectly, the Lord Advocate, the Minister for Education and Young People, and the Minister for Justice.

11. It was the recommendation of the Committees at Stage 1 and remains the recommendation of the Committees now that, for the sake of administrative efficiency in the national allocation of places and to ensure the adequate budget provision for such places, Secure Accommodation should be brought wholly under the Justice Budget.

12. As is explored in more detail below, the Committees reached the conclusion that the net impact of the Spending Review on the Scottish Prison Service is an extra £15m, this to occur in 2005-06. In terms of 2002-03 £s, this is approximately £13.9m. Given the large amount of extra resources introduced into the Scottish Budget through the Spending Review (rising at 2002-03 prices to an extra £3,035m per annum by 2005-06 or by a cumulative extra £6,423m over the three years 2003-04 to 2005-06 as compared to the baseline of 2002-03) the extra £13.9m in 2002-03 money (or £15m in the money of 2005-06) amounts to only some 0.45% of the annual uplift, or 0.2% of the cumulative increase – one fifth of one percent.

13. The Committees recommend that the Scottish Prison Service be budgeted a larger increase in the years 2004-05 and 2005-06 to assist with the modernisation programme that they face, even accepting that the period of the prison estates review is longer than the spending review. The Committees also wish to emphasise the importance of programmes such as ‘alternatives to custody’ and ‘diversion from prosecution’ – all of which have the potential to catch young offenders early and to help prevent them ending up in prison. Although such programmes have recently been expanded, the Committees remain of the view that further budgetary provision can and should be made towards enhancements in these programmes.

The Crown Office and Procurator Fiscal Service

14. The Lord Advocate answered questions relating to the increasing numbers of staff in various grades, but the Committees sought finer details on the figures for legal staff and on the additions that had been spoken to us about in the past. There was a real difficulty in understanding the figures provided when what the Committees desired was a more accurate reflection of the development of staff numbers, particularly in front-line legal services, in the 47 individual Procurator Fiscal Offices. More detailed staffing figures were subsequently
provided by the Lord Advocate, but even these lacked precision as to the enhancement in actual front-line legal services in each procurator fiscal office.

15. In the face of rising real expenditure on police and expected increases in serious crime prosecution, the Committees were concerned that, even recognising the substantial increases in the budget for 2002-03 and 2003-04, the Crown Office and Procurator Fiscal Service budget showed no further real increase in the years 2004-05 and 2005-06. ‘Building a Better Scotland’ shows the spending plan totals for 2003-4, 2004-5 and 2005-6, as £87.1 million, £89.6 million and £92.1 million, respectively. When translated into real values, these figures are essentially flat from 2003-04 to 2005-06.

16. While The Lord Advocate anticipated that the number of non-legal staff will diminish as the benefits of information technology and the future office system take effect, hence allowing a cut in administration and an increase in resources in front-line services, the Committees see a case for further real expansion in the Procurator Fiscal Budget through the Spending Review years (2004-05 and 2005-06). This view is further strengthened in the light of potential increases in the cost base of the Crown Office and Procurator Fiscal Service that are likely to come about as a result of the ongoing review of salaries in the service.

Requested Changes in the Budget Process

17. Greater clarity is requested by the Committees in the linkage of performance indicators and specific spending programmes. An example arose in the expansion of Throughcare provision in the Scottish Prison Service, where the Committees suggested that efforts be made to identify and report measures of the specific effectiveness of such spending. With such prison rehabilitation programmes, the Committees are concerned to see mechanisms that can establish the strength of the linkage between increased activity in this area and a measurement of the outcomes that are delivered through investing in these prison programmes. There is a need to demonstrate an adequate linkage between the two, so that investment in rehabilitation programmes can continue to be supported. An SPS paper entitled ‘Making a Difference’ was referred to, but even this lacked the desired detail on performance measurement.

18. Further examples regarding the need to more tightly specify measures of outcomes with increases in spending arose when the Committees examined the expansion of spending in the Crown Office and Procurator Fiscal Service.

3 Making a Difference, Scottish Prison Service
19. The Committees’ second request for improvements in the budget reporting system pertains to clarifying where additional spending is occurring and exactly what that extra spending is intended to achieve. An example of this need arose when the Committees examined the situation regarding spending in the Scottish Prison Service. For the four years (2002-03 through 2005-06) in Building a Better Scotland, the Scottish Prison Service is shown with an allocation of £301m/£299m/£299m/£314m\(^4\). The Committees questioned the Minister regarding the connection between these numbers and his statement on the Prisons Estates Review given to Parliament on 5 September, when a £110 million modernisation fund was announced\(^5\). Scrutiny of this statement and ‘Building a Better Scotland’ established that the £110m was made up of SPS savings of £12.5m per year for three years, plus an annual base-line capital investment of £20m for each of three years, and £15m as a result of the Spending Review (year 2005-06 in ‘Building a Better Scotland’). It is, therefore, clear to the Committees that all that emerged from the Spending Review for the Scottish Prison Service was an allocation of £15m, and this not until 2005-06.

20. The above seemed to be confirmed in the Minister’s reply, namely “It would be incorrect to say that only £15 million had not previously been committed. We could discuss the semantics of what has come out of the £3 billion of extra money, but we must deal with the budget as a whole. The £20 million that I included in the baseline had not been allocated previously, the £12.5 million in year 3 had not been committed previously and the £15 million was announced in the spending review. Those sums are all being committed for the first time.”\(^6\)

21. Furthermore, while the £15m is clear in the move from £299m to £314m reported in the paragraph above, the Committees believe that the budget documents, and ‘Building a Better Scotland’ in particular, could have been more transparent and forthcoming in this matter. In general, the Committees would hope to see an indication of exactly where programmes have been increased, by how much they have been increased, and with what expected result or outcome.

22. With the current level of reporting detail, it proves impossible for the Committees to scrutinise the outcomes of Ministerial announcements on intended spending under defined programme headings. The Committees require that the system of budget headings be revised to be more consistent with the programme-based activities that form the basis of policy initiatives in the justice area. The publication of the Executive’s document ‘Closing the

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\(^5\) Minister for Justice, Official Report, 5 September 2002, Col 13373

\(^6\) Minister for Justice, Justice 1 Committee and Justice 2 Committee (Joint Meeting), 2 October 2002, OR Col 276
Opportunity Gap Scottish Budget for 2003-2006\textsuperscript{7}, which deals with cross-cutting issues, occurred too late to be covered in the Committees’ evidence gathering meeting of 2 October.

23. Where spending on a particular programme (for example, care and treatment of offenders) by necessity spreads over more than one Department, the Committees require that there should be a consistency of reporting categories in the AER and other budget documents. This would enable spending under each type of such heading to be aggregated and the total to be monitored more effectively.

24. The Committees considered that setting targets could, in some cases, be somewhat more ambitious. For example, Objective 5, target 9 for the Crown Office and Procurator Fiscal Service in ‘Building a Better Scotland’.\textsuperscript{8} This involves meeting a target of concluding the investigation of a death and advising the next of kin of the outcome within 12 weeks in 60 per cent of cases. It was felt that it would be more appropriate if the objectives were nearer 90 per cent or 95 per cent, albeit with a later second target date.

25. Objective 3, target 6, "To serve indictments in 80% of Sheriff and Jury cases that involve bail within nine months of first appearance on petition"\textsuperscript{9} was also thought by the Committees to lack ambition.

26. Other targets, such as Objective 2, target 3: “To conduct a public survey to monitor trends in public confidence”,\textsuperscript{10} were felt to lack an objective against which performance could be gauged.

Conclusion

27. The Committees recommend that—

(a) the Spending Review budget figures for 2004-05 and 2005-06 be revisited to give the Justice a larger share of the available spending consistent with crime being one of the Executive’s five priority areas for action.

(b) arrangements be put in place to ensure that the Time-Out Centre being developed in Glasgow operate as a national facility.

\textsuperscript{7} Closing the Gap Scottish Budget 2003-2006, Scottish Executive, October 2002
(c) all Secure Accommodation be brought under a single budget heading overseen by the Justice Department.

(d) the Scottish Prison Service be budgeted a larger increase in the years 2004-05 and 2005-06 to assist with the modernisation programme that they face.

(e) the impact of increased spending and managerial change in the Crown Office and Procurator Fiscal Service be monitored for evidence of increased provision of front line legal services.

(f) Spending in the Crown Office and Procurator Fiscal Service for the years 2004-05 and 2005-06 be re-visited as a further resource injection is very likely to be needed.

28. In terms of the Budget Process the Committees require that:

(a) increases in spending be highlighted with an explanation of what the increase will achieve in terms of expected results or outcomes.

(b) performance indicators should be more consistently designed to measure outcomes by being specific, measurable, attainable, relevant and timed (SMART).
Local Government Committee

Budget Process 2003-04 Stage 2

The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. The Local Government Committee considered stage 2 of the 2003-04 budget process at its meetings on 8 and 29 October and 5 November. The Committee had regard to the response by Andy Kerr, Minister for Finance and Public Services to its stage 1 submission to the Finance Committee and to a submission by COSLA on the outcome of the 2002 Spending Review. It also took oral evidence from Councillor John Pentland, the COSLA Finance Spokesperson and Convention officials and from Mr Kerr and Scottish Executive officials.

2. As at stage 1, the Committee focussed on the aggregate levels of the local government revenue and capital budgets for 2003-04, rather than considering any general local government finance issues or how the 2003-04 budgets would be distributed amongst individual councils.

Stage 1 Recommendations

3. Amongst the points highlighted by the Committee in its stage 1 submission were the following:-

- the Committee had no specific recommendations to make regarding the proposed level of the 2003-04 revenue and capital budgets, but it recommended that the Scottish Executive should (a) address the implications for councils of the increase in employers' National Insurance contributions and (b) have regard, when distributing the additional Health resources (arising from the National Insurance increase), to the contribution which local government makes to the health of the nation; and noted, with concern, the extent of the back-log in local government capital investment.

- the Committee welcomed the flexibility which the proposed prudential framework for capital investment will give councils, but recognised that the new arrangements would only enable councils to make significant inroads into the backlog in capital investment if matched by adequate levels of revenue funding.
• the Committee noted on one hand, the view of local government organisations that there was a need for a more constructive and open relationship between the Scottish Executive and local government regarding the determination of councils’ spending and funding needs; and, on the other hand, Ministers’ assurance that the Executive shares a common agenda with local government;

and recommended that joint planning, as proposed initially by COSLA, to determine councils’ spending and funding needs should be put in place.

• above all, the Committee expressed concern about its inability - and that of Parliament as a whole - to scrutinise the local government budget in any meaningful way and outlined a number of steps which it felt required to be taken if the budget process was to become more effective. The Committee believed that it made no sense to consider proposed local government funding levels (essentially one very large figure for revenue funding and another not so large figure for capital funding) in a vacuum. The Committee proposed that the Executive should be invited to produce, either in the Annual Expenditure Report or in a separate document, information not only about funding levels but also spending levels and, if possible, anticipated service outcomes. It also proposed that the Finance Committee should review the whole Budget Process with a view to linking Parliamentary scrutiny to Spending Reviews rather than annual budgets.

4. The Committee welcomes the Minister’s assurance in his response to its stage 1 report that full provision for councils’ additional National Insurance contributions have been reflected in the 2002 Spending Review allocations and his recognition of the contribution which local government makes to promoting better health in Scotland. It also notes his comment that the Executive has a ‘positive and constructive relationship with COSLA’, but also Councillor Pentland’s view that, while the consultation process had improved during the past year, COSLA was still disappointed that they had a ‘relationship’ rather than a ‘partnership’ with the Executive.

5. The Committee is disappointed by the Minister’s response to its request that more information should be included in the local government chapter of the Annual Expenditure Report (or some other document) in order to put the proposed funding levels into some sort of context. It has absolutely no wish to undermine the principle that councils should be given as much discretion as possible to determine their own spending priorities, and does not believe that its request would do so. The Committee remains firmly of the view that, if scrutiny of the local government budget is to be effective and, in particular, the Committee is ever to be in a position where it can make an informed judgement on the adequacy or otherwise of the proposed budget, Parliament will have to be given much fuller information about the Executive assumptions and thinking underlying the budget figures.

Revenue Funding

6. The Committee notes that the proposed level of Aggregate External Finance (AEF) for 2003-04 represents an increase of £586 million or 8.68 per cent over the
2002-03 figure and the Minister’s view that this is a “fair but challenging” settlement. It also notes COSLA’s concerns regarding the settlement including—

- once what the Convention call “non-discretionary expenditure” is stripped away, the year-in-year increase is only 2.5 per cent; and

- core local services are being under-funded by £163 million in 2003-04 and £440 million over the full 3 years of the 2002 Spending Review, but that the Minister completely rejects this claim.

7. Faced again with conflicting arguments from the Minister and COSLA over the adequacy or otherwise of the proposed level of AEF, but lacking information on which to make its own assessment, the Committee is not in a position to propose any change in that level. It did, however, note with interest from the Minister’s oral evidence the factors which the Executive had taken into account in determining the proposed settlement and which were confirmed in his letter of 4 November to the Convener of the Committee. It hopes that in future years the factors and assumptions underlying the proposed local government budget will be made clear by the Executive at the time the budget is first presented to Parliament.

Capital Funding

8. The Committee focussed on the introduction of the prudential framework for capital investment in 2004-05 and noted the Minister’s comment in his response to its stage 1 report that the framework “will allow scope for substantial increases in investment in local infrastructure”. It recognises that there has been a significant increase in capital investment on the schools estate through PPP schemes, but remains concerned about the extent of the back-log of investment in other local authority services - particularly, roads and bridges. In this context, the Committee notes COSLA’s evidence that, in order to avoid an unacceptable increase in council tax levels, councils will need to receive a significant increase in revenue funding in future years if they are to be able to use the new prudential arrangements to make real in-roads into the back-log of local infrastructure investment. It also notes and welcomes the Minister’s expression of commitment to increased levels of capital expenditure across the whole of the public sector.

Continuing Concerns

9. For the second year running, the Committee has been concerned

- Firstly, by the degree to which local government organisations and the Executive have in presenting evidence to it disagreed over the adequacy of the local government budget;

- Secondly, by the fact that attention has focussed mainly on the year-on-year increase in the budget rather than on the baseline provision, which means that in the case of, for example, the 2003-04 AEF figure, the debate has centred on the increase of £586 million rather than on the remaining £6,751 million; and
Thirdly, that it has not been presented by the Executive with sufficient information about the proposed budget to enable it to express any view on the merits of the two cases presented to it.

10. On the first of the above concerns, the Committee recognises that it would be unrealistic to expect the two parties to agree completely on the level of the budget, but is concerned that there is such a divergence of view between them over councils’ spending and funding needs, especially regarding the provision of core local services. It is against this background that the Committee continues to support the introduction of joint local government/Executive planning arrangements. The Committee believes that such arrangements could also play an important role in relation to the above second point. And, while not in any way wishing to undermine councils’ discretion to determine their own spending priorities, the Committee believes that subject Committees with responsibility for local authority services could play an important and complementary role in ensuring effective Parliamentary scrutiny of the local government budget in future years, by examining the level of provision for local services within their remits. On the above third point, the Committee notes and welcomes Des McNulty’s letter of 9 October to Peter Peacock, Deputy Minister for Finance and Public Services raising the question of how Parliamentary scrutiny of the block allocations to Health and Local Government might be improved.

Conclusions

The Committee—

- reiterates its support for the introduction of joint local government/Executive planning arrangements;

- reiterates its view that the Budget Process should be linked to the Spending Reviews rather than annual budgets;

- reiterates its concern about the lack of effective Parliamentary scrutiny of the local government budget;

- urges the Executive to co-operate with Parliament in ensuring that much more satisfactory arrangements for scrutiny of the local government budget are introduced for future years: and

- has no recommendations to make regarding the level of the proposed 2003-04 local government budget.
RURAL DEVELOPMENT COMMITTEE

Stage 2 Report on the 2003-04 Budget

Introduction

1. At Stage 2 of the budget process detailed spending proposals for 2003-04 have been examined in the context of comments made by the Committee in its Stage 1 Report. The Minister for Environment and Rural Development replied to this Stage 1 Report in a letter dated 5 September 2002.

2. At Stage 1 the Committee considered spending plans contained in the Annual Expenditure Review (AER). Information for consideration at Stage 2 has been presented in a number of documents. Revised spending proposals for 2003-2006 as a result of the Spending Review 2002 were presented in ‘Building a Better Scotland’ on 12 September 2002. Some objectives and targets for the application of these spending proposals were set out in this document, and further ones were presented in ‘Closing the Opportunity Gap – Scottish Budget for 2003-2006’ published on 8 October 2002. The Draft Budget for 2003-04 was published on 31 October 2002. On 26 June 2002 the Minister for Finance and Public Services also made announcements on end-year flexibility arising from underspend in 2001-02. Although not directly related to the 2003-04 Budget, these figures indicated the priorities being pursued by the Scottish Executive.

3. The Rural Development Committee has considered the various documents produced by the Scottish Executive and, through its adviser, has sought further evidence from Executive officials on a number of points. The Committee is grateful for the co-operation it has received in this.

Presentation

4. ‘Building a Better Scotland’ presents spending proposals at level 2 only, and provides insufficient detail to demonstrate the allocation of funds to specific programmes. The Committee believes that the publication of level 3 figures in the Draft Budget on 31 October was simply too late to allow their proper consideration in the process.

5. The Committee understands that the Spending Review was conducted on the basis of Ministerial portfolios. This means that the proposals relating to the portfolio of the Minister for Environment and Rural Development straddle the remits of both the Transport and the Environment Committee and the Rural Development Committee. Presentation of the figures on this amalgamated basis is entirely different from that produced in the AER in April 2002, and makes comparison between these figures extremely difficult.
6. The Committee recognises that there are inherent difficulties of presentation in many aspects of the rural development budget, and also acknowledges that the figures presented in ‘Building a Better Scotland’ appear at an interim stage of the transition to resource budgeting. However, the figures in ‘Building a Better Scotland’ are presented on an entirely different basis from those in the AER, making an understanding of the changes in spending proposals impossible for the Committee without considerable further explanation and analysis. The Committee considers that, on this basis, understanding of changes and trends by the wider public would be impossible.

7. The Committee believes that effective future scrutiny of the budget requires serious attention to these presentational issues. Their combined effect has made meaningful comparisons and scrutiny on the face of the documents virtually impossible at Stage 2.

Closing the Opportunity Gap

8. ‘Building a Better Scotland’ (p.40) announced a number of indicators for measuring success in closing the opportunity gap in education, health, justice, transport, housing and jobs. Further indicators were set out in ‘Closing the Opportunity Gap’. The Committee recommends that progress as measured by these indicators be published in disaggregated form for rural Scotland each year (in the same way as information for urban and rural Scotland is separately identified for some indicators in the Social Justice Annual Report). The Minister is invited to confirm that this will be the case, and that the necessary data will be available.

9. The Committee welcomes the broad strategy set out in ‘Closing the Opportunity Gap’. However, the two targets set for “reducing the opportunity gap by promoting economic development, social justice, better service delivery and sustainable development in rural communities” (p.27) are narrow and imprecise, and neither is output-related.

10. These targets are:
   a. encourage more sustainable agricultural activity on 13,500 farm businesses in Scotland’s remote hills by 2006; and
   b. deliver better service provision to rural communities through support for around 80 new rural development projects each year, and funding for 3-4 joint initiatives a year with other Executive departments or agencies, by 2006.

11. In order to improve accountability, and indeed to aid the Executive’s measurement of its own progress, such targets should at least specify precisely what is meant by “more sustainable agricultural activity” and “better service provision”. Moreover, the Committee considers that these two targets are hardly adequate to allow rural development policy to satisfy the statement in ‘Building a Better Scotland’ (p.49) that every policy and every decision will be measured against success in closing the opportunity gap between the
most disadvantaged and the average for Scotland. These targets cover only agriculture in Less Favoured Areas (which is not the same as addressing low farm household incomes) and rural service provision. Considerable further development of appropriate targets is required if progress towards the Department’s objectives is to be measured and judged.

Modulation of Common Agricultural Policy On-farm Payments

12. The Committee has received a partial response from the Minister to its questions in relation to the possibility of increases in the rates of modulation of Common Agricultural Policy (CAP) on-farm payments. It is clear from the Minister’s response that increased rates could not be introduced in England alone, and that any increase would also have to be agreed by all relevant devolved administrations. ‘Building a Better Scotland’ announced an extra £22.8m contingency match-funding for Scotland (ring-fenced by the UK Treasury) to allow possible modulation to be increased to 10% from 2005/06.

13. The Minister indicated in his response to the Committee that he would only consider increased modulation rates if the Treasury makes available match-funding and if changes could be secured to the EU Rural Development Regulation to allow greater flexibility for spending on rural development measures. The first condition has been met, but the Committee remains unclear in what respects the Minister seeks further flexibility in the application of the RDR beyond, for example, that which has proved possible in France. Neither did the Minister respond to the Committee’s invitation for him to assess the impact of introducing enhanced rates of modulation in Scotland, with progressive and discriminatory rates of modulation, which are applied through land management contracts or whole farm development schemes. The Minister is invited again to address this request.

Other aspects of agriculture and rural development

14. The Minister provided a full explanation of the increased baseline of funds allocated to the Less Favoured Area Support Scheme. The Committee accepts this response. The Committee also welcomes the announcement in ‘Building a Better Scotland’ of increased funding for the Rural Partnership Fund, and for farm business advice, and the Minister’s instigation of a review of the nature and balance of assistance made under the Crofters Building Grants and Loans Scheme.

Scientific Support and Fishing

15. The Committee is content with the Minister’s responses in relation to greater priority for socio-economic research in the SEERAD science budget, although
16. However, the Committee is extremely concerned at the crises facing the Scottish fishing industry. The Committee believes that the current challenges faced in particular by the white-fish sector and the scallop industry will impact on the industry as a whole, including processors. While final decisions have still to be made, the Committee notes the need for robust socio-economic measures to accompany any conservation measures. The Committee further notes the Minister’s statement that any funding for alternative options will have to come from domestic resources. The Committee recommends that the Minister considers how any significant aid packages which may be required can be funded as a priority, including examining all avenues available under the Financial Instrument for Fisheries Guidance.

Expenditure on Rural Development

17. Finally, the Committee reiterates its recommendation that the Finance Committee considers expenditure on rural development as an issue for cross-cutting review during 2003. In pursuing this, the Committee acknowledges the Minister’s point that the focus should be on the impacts and outcomes of this spending, as well as on the co-ordination of this spending between departments.

Conclusions

18. Overall, the Committee is concerned that the presentational difficulties outlined in paragraphs 4-6 above have reversed the previous welcome progress towards clearer presentation of the budget documents, and made effective Stage 2 scrutiny difficult.

19. The Committee notes the following conclusions for the Finance Committee’s consideration:

- The Committee recommends that serious attention be given to presentational issues, and in particular to the timing of the publication of the Draft Budget, with the objective of ensuring that all aspects of presentation are focused on allowing the clearest possible comparison and scrutiny.

- The Committee recommends that progress as measured by the indicators set out in ‘Closing the Opportunity Gap’ be published in disaggregated form for rural Scotland each year, and invites the Minister to confirm that this will be the case, and that the necessary data will be available.

- The Committee recommends that considerable further development of appropriate targets should be undertaken as a priority, to enable the
measurement of progress towards the Department’s objectives for reducing the opportunity gap.

- The Minister is again invited to respond to the Committee’s invitation for him to assess the impacts of introducing enhanced rates of modulation in Scotland, with progressive and discriminatory rates of modulation, to be applied through land management contracts or whole farm development schemes.

- The Committee reiterates its recommendation that the Finance Committee considers expenditure on rural development as an issue for cross-cutting review during 2003.

- The Committee recommends that the Minister considers how any significant aid packages which may be required to deal with the challenges facing the fishing industry can be funded as a priority, including examining all avenues available under the Financial Instrument for Fisheries Guidance.

20. The Committee looks forward to receiving a reply to this report from the Minister for Environment and Rural Development.

Rural Development Committee
5 November 2002
Budget Process 2003-2004 Stage 2 Report to the Finance Committee

The Committee reports to the Finance Committee as follows—

Introduction

1. The Scottish Executive announced its spending proposals for 2003-2006 on 12 September 2002 in Building a Better Scotland. At its meetings on 9 and 30 October 2002 the Committee considered, among other business, the Executive’s spending proposals and the response of the Minister for Social Justice to the Committee’s Stage 1 report on the 2003-4 budget process (Annex A).

Building a Better Scotland

2. The Committee noted that the Social Justice budget will increase by £145 million, from £800 million in 2002-03 to £945 million in 2005-06. However, based on the data in real terms on 2002-03 prices, it would appear that the social justice budget will only increase by £78 million, from £800 million in 2002-03 to £878 million in 2005-06. The figures also demonstrate that whilst the average increase across the Executive will be 4.6%, the Social Justice budget is only set to rise by 3.1%.

3. The Social Justice Committee seeks clarification from the Minister as to why, if Social Justice has been and continues to be a stated priority area for the Executive, the increase in spending will be less than the Executive average.

4. The Executive has also announced that the Social Justice Department has been allocated £150 million from the EYF for 2002-03. The Committee seeks further information from the Executive as to whether or not the EYF allocation has been included in the Spending Proposals and, if not, requests details as to how this money is to be spent.

5. In terms of Social Justice spending plans, it is proposed that there will be an increase in investment in all areas, apart from Providing the Services and Support that People Need, Scottish Homes and Housing Support Grant. Given that Scottish Homes is being wound down, members were not surprised that the level of expenditure dedicated to them is being decreased. The Housing Support Grant is the expenditure dedicated to the running of homeless hostels and this remains static. However, the Committee wishes to inquire of the Minister as to the services that will be effected by the reduction in spending on the area Providing the Services and Support that People Need, which, as detailed in the AER, included the following areas:

- Mortgage to Rent
- Implementation of Scottish Secure tenancy
- Common Housing Registers
6. In terms of the Social Justice spending plans in real terms, it would appear that in addition to the three areas noted above, where spending is planned to decrease, Delivering Good Quality and Affordable Housing can also be seen to decrease overall in real terms. Given this decrease in real terms the Committee seeks assurances from the Minister that she will be able to meet her commitments in housing.

7. Building a Better Scotland states that:

For the first time, all numbers in this Spending Review are presented on a full resource basis, which affects the balance that is shown in DEL (Departmental Expenditure Limits) and AME (Annually Managed Expenditure). This means that the numbers shown for 2002-03 will not be identical to those shown in this year’s Annual Expenditure Report (AER).1

8. The impact of this difference in the accounting practices between the AER and Building a Better Scotland is most pronounced for budgets, such as the Social Justice budget, which has a larger capital component. The Executive states that reconciliation figures enabling comparison between the two sets of figures will be published in the Draft Budget document. However, members are keen to receive further clarification from the Executive as to the impact of this accounting change between the two documents upon the Social Justice budget.

9. The Executive also states that they will spend £83m per annum on the Social Inclusion Partnership programme and £40m per annum on the Better Neighbourhood Services Fund between 2003-04 and 2005-06. The Committee would welcome additional detail on how this money will be distributed. For example, will these monies be spent solely on existing programmes or will a proportion be spent on new projects?

10. Building a Better Scotland also states that the Executive will:

continue to work with the voluntary sector and volunteering organisations to increase their ability to deliver high quality services to those who need them most.2

11. The Committee would also welcome a more detailed depiction of this commitment alongside information concerning the core and other funding which will be allocated to voluntary organisations.

12. The Committee appreciates that the Executive is committed to a variety of objectives and targets, which are to be met during the lifespan of the review, such as:

- delivering good quality, sustainable and affordable housing for everyone;
- regenerating our communities;
- tackling homelessness;

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• ending fuel poverty by 2016.

13. However, there remains a number of issues which the Committee wishes to raise with the Scottish Executive as a consequence of the targets which were outlined in Building a Better Scotland. These include:

• Target 1 in the Spending Review states: “By 2006, increase the supply and quality of Scotland’s housing stock by approving 18,000 new and improved homes for social rent and low-cost home ownership”. The Committee would like to obtain a breakdown of this figure from 2002-03 to 2005-06, and how many of these will be new houses.

• Target 2 in the Spending Review refers to reducing “the number of houses with poor energy efficiency by 20%” by 2006. The Committee requests that the Scottish Executive provides details as to what this will involve, and how many households the Executive considers that this scheme will help.

• Target 7 states that: “All private sector houses occupied by elderly people and all housing associations and local authority houses to have central heating by 2006”. The Committee wishes to ascertain whether the support outlined under Target 2 (to tackle poor energy efficiency) is linked to that in Target 7. The Committee also wishes to obtain further information regarding the extent to which provision has been made to ensure that those elderly people who have central heating in their houses also receive support to ensure that they have proper insulation, including double glazing windows and doors, to avoid heat loss.

• Target 8 states: “By 2006 reduce by 30% the number of households in fuel poverty”. In contrast, the Fuel Poverty Statement sets a target of a 30% reduction in the total numbers of people in fuel poverty in Scotland. Further detail is sought from the Executive with regard to the actual number of households and people which the Executive expects to benefit from policy within this area.

The Social Justice Committee’s Stage One Budget Report

14. In the Social Justice Committee’s report on the Budget Process 2003-04, Stage 1, the Committee asked for clarification of the amount of housing or other resources that would be freed up by the Treasury decision to pay off outstanding housing debt in the event of community transfer, and the extent to which these resources would be available for re-investment in housing. In addition, the Committee also recommended that the Executive should plan for a substantial increase in housing expenditure to implement the eventual proposals of the Housing Improvement Task Force, particularly with regard to private tenemental property. The Executive responded by stating that “these issues are being considered in the current spending review, the outcome of which will be announced in September”. Building a Better Scotland does not clarify the position with regard to these issues and accordingly, the Committee requests that the Minister responds to these issues.
15. Similarly, in its Stage 1 Budget report the Committee recommended that the Executive should seek to make the nature and extent of investment in the voluntary sector more transparent. The Executive published the Review of Funding for the Voluntary Sector on 9 May 2002. In the Executive’s response to the Committee’s Budget Process 2003-04 Stage 1 Report in August 2002 the Executive made the following statement:

On the basis of the conclusions drawn from the review, we intend to put in place a system that enables the alignment of available funding with Executive priorities and [developing] procedures that are easy to use, transparent and in line with the aim of modernising the delivery of Government services.

As well as looking at the administration of Executive grants we are, in partnership with the voluntary sector, undertaking a broader more strategic review of funding for the sector. This will look at the pattern of the Executive’s own funding and at how the Executive can work with other funders of the sector to address issues of shared concern³.

16. The Committee would welcome details of the progress that has taken place in these areas, and particularly in relation to the second point with regard to when the review is expected to begin, how long it will take and which organisations have been invited to take part in it.

Conclusion

17. The Committee invites the Scottish Executive to respond to the issues raised in this report.

ANNEX A

LETTER DATED AUGUST 2002 FROM MINISTER FOR SOCIAL JUSTICE TO THE CONVENER

ANNUAL EXPENDITURE REPORT: STAGE 1 BUDGET CONSIDERATION EXECUTIVE’S RESPONSE TO SOCIAL JUSTICE COMMITTEE’S REPORT TO FINANCE COMMITTEE

You will recall that, in the Stage 1 Budget Debate on 27 June, Peter Peacock gave a commitment that Ministers would reply to the subject committees’ comments on the Annual Expenditure Report before the start of the new session. I will address the recommendations in the order the Social Justice Committee raised them.

Recommendation 1: Social Justice Agenda

Generally, the Committee believes that the presentation of social justice issues within the AER has improved but recommends that the Executive addresses ways to deliver a more joined-up approach which would facilitate a greater understanding of the extent of the resources being allocated to the social justice agenda.

Response to recommendation 1

We are grateful for the Committee’s comment that the presentation of social justice issues within the AER has improved. We are delivering our commitments to closing gaps in opportunity and in outcomes in 2 ways:

- through mainstreaming services for disadvantaged groups and areas across the whole range of the Executive’s programmes; and
- directly through social justice policies and actions, and in partnership with outside organisations, in the field of housing, homelessness, area regeneration, social inclusion, equality and the voluntary sector.

In announcing the outcome of the Spending Review, we shall be considering how to make clearer the contribution each of these approaches is making to the overall social justice agenda.

Recommendation 2: Housing Investment

More specifically, the Committee recommends that the Executive should endeavour to provide a comprehensive view of housing investment within the AER to enable effective year by year comparisons to be made.
Response to recommendation 2

The AER provides a comprehensive statement of all the Social Justice expenditure programmes within the Executive’s budget. The 2002 AER sought, for the first time, to group the programmes at Level 2 in a way which reflected the objectives of the programmes, rather than the means of expenditure.

There are, of course, other sources of funding which councils can use to invest in their own houses, in addition to the borrowing consents included in the AER. These additional funding sources are Capital from Current Revenue (ie HRA revenue surpluses) and HRA capital receipts. Since these funding sources are outside the Executive’s budget, it would not be appropriate to include them in the AER. However, details of councils’ gross capital expenditure on their houses is published each summer in the Executive’s Statistical Bulletin, “Local Authority Housing Income and Expenditure”. It is available on the Executive’s website, and I understand copies are also sent to SPICe and to each MSP. In the latest version, published in July 2002, Table 15 provides details of councils’ gross capital expenditure on their own housing stocks.

Recommendations 3 and 4: Housing Investment

The Committee recommends that the Executive should be asked to clarify the amount of housing or other resources freed up by the Treasury decision to pay off outstanding housing debt in the event of community transfer, and the extent to which these resources would be available for re-investment in housing.

The Committee also recommends that the Executive should plan for a substantial increase in housing expenditure to implement the eventual proposals of the HITF, particularly with regard to private tenemental property.

Response to recommendations 3 and 4

These issues are being considered in the current spending review, the outcome of which will be announced in September.

Recommendation 5: Voluntary Sector

The Committee recommends that the Executive should endeavour to make the nature and extent of investment in the voluntary sector more transparent.

Response to recommendation 5

The Scottish Executive is taking a strategic view of the agenda for modernising the relationship between the public and voluntary sector and of invigorating the social economy. This is being done on a phased basis and in November 2000, the then
Minister for Social Justice announced that the process would begin with the Executive conducting a review of its own direct funding of the voluntary sector, including the application process and grant conditions.

The aim of the review was to develop a co-ordinated strategy for the Scottish Executive’s direct funding of the voluntary sector. On the basis of the conclusions drawn from the review, we intend to put in place a system that enables the alignment of available funding with Executive priorities and develop procedures that are easy to use, transparent and in line with the aim of modernising the delivery of Government services. This includes publishing annually information on all funding allocated to voluntary organisations by the Executive and its Agencies.

As well as looking at the administration of Executive grants we are, in partnership with the voluntary sector, undertaking a broader more strategic review of funding for the sector. This will look at the pattern of the Executive’s own funding and at how the Executive can work with other funders of the sector to address issues of shared concern.

**Recommendation 6: Fuel Poverty**

The Committee recommends that the Executive provide more detailed information on action it is taking to address the problems which will be caused by lack of skilled tradesmen, the timescales for such action, and whether more work could be done with Scottish Enterprise to support the initiatives currently being undertaken by Transco and others. The Committee has written to the Minister for Social Justice drawing attention to its concerns over the skills shortage in the construction industry and its potential impact on the Executive’s programmes to tackle fuel poverty.

**Response to recommendation 6**

Between the late Autumn of 2001 and April 2002, 3559 dwellings had central heating installed under the Central Heating Programme administered by Eaga. 4600 will have central heating installed in 2002-03 and Eaga are confident that this target will be met.

The number of installations in 2003-04 and beyond increases to 10,400. This is a major increase but Eaga believe that by careful nurturing of the installer base, and by new recruitment from among existing companies, they can achieve and sustain this level of installations. However they will be monitoring the position and will advise the Executive if there is likely to be a problem. In the meantime, facilities such as the Scottish Gas Training Centre in Glasgow, opened on 28th June by Brian Wilson, the UK Minister for Environment, will play an important part in providing skilled gas engineers in Scotland.

In the first instance it must be for the central heating industry, as for any other industry, to address any skills shortfall which may affect future capacity. As part of their contract with the Scottish Executive, Eaga are expected to continue to work with key partners, such as Transco, to see what suitable accredited training
initiatives can be developed. Possible funding sources for any training programmes could include Scottish Enterprise, the Employment Service and Transco.

As you acknowledge in your recommendation, this issue is also being dealt with as part of the Committee’s response to the Executive’s draft Fuel Poverty Statement.

**Finance Committee recommendation on Equality Proofing**

Finally, I note that the Finance Committee’s report includes the recommendation that “the Executive and the Equal Opportunities Committee agree a working definition of ‘equality proofing budgets’ and a mechanism for ensuring the equality strategy is reflected in budgetary allocations.” I can confirm that the Executive is planning an informal seminar with the Equal Opportunities Committee in the autumn to consider how equality is reflected in the budget and in the AER. The issue of a working definition of ‘equality proofing budgets’ has been discussed at the Equality-Proofing Budgets Advisory Group and a proposal from that group will be brought to the Committee along with a suggested strategy for taking the work forward.

Margaret Curran
Transport and the Environment Committee

Remit and membership

Remit:

To consider and report on matters relating to transport which fall within the responsibility of the Minister for Enterprise, Transport and Lifelong Learning; matters relating to environment and natural heritage which fall within the responsibility of the Minister for Environment and Rural Development; and matters relating to the land use planning system and building standards which fall within the responsibility of the Minister for Social Justice. (As agreed by resolution of the Parliament on 13 June 2002)

Membership:

Bristow Muldoon (Convener)
Robin Harper
Mr Adam Ingram
Angus Mackay
Maureen Macmillan
Fiona McLeod
Des McNulty
Nora Radcliffe (Deputy Convener)
John Scott

Committee Clerking Team:

Callum Thomson
Alastair Macfie
Roz Wheeler
Euan Donald
Transport and the Environment Committee

Report on 2003-04 Budget Process at Stage 2

The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. At Stage 1 of this year’s budget process, the Committee agreed to concentrate on conducting an overview of the transport budget for 2003-04. The Committee’s scrutiny followed the publication in the spring of the transport delivery report (TDR). The TDR lays out the Executive’s future proposals for Scotland’s transport system, principally, on how to tackle congestion in and around Scotland’s major metropolitan areas.

2. At Stage 1, the Committee took evidence from witnesses including respected independent experts in transport economics, regional economics and urban and regional planning in Scotland and the United Kingdom; specialists in the Scottish economy and regional development; leading managers and technical officers in transport policy delivery, management of infrastructure and lifeline transport services and representatives of industry and commerce as well as the environmental lobby.

3. The main issues contained in the Committee’s Stage 1 report are briefly summarised below:

Transport Delivery Report

4. The Committee commented that the TDR received a broad welcome from witnesses and the wider public. The Committee commented that one weakness of the TDR was the absence of clear, measurable and agreed targets or indicators on which to assess the merits of key schemes as well as future monitoring of the overall strategy. The Committee went on to state that it was essential that the question of these targets was quickly resolved as their absence puts into question the strategy the case for each or all of the ten headline projects in the TDR which themselves underpin the strategy on which future policy goals are based.

5. On the Scottish Transport Appraisal Guidance (STAG), the Committee recommended that STAG appraisals should be carried out as a matter of urgency on the ten headline projects since this would make more transparent and robust the basis on which the Parliament’s decisions on budgets are made.

6. In its commentary on 2003-04 budget choices, the Committee stated that assuming projects stand up to STAG analysis, it can be expected that the transport budget will need to be increased by a significant proportion in order for these projects to be realised. The Committee went on to say that it would welcome reassurance from the Executive that this long-term funding commitment existed and it looked forward to the outcome of the Spending Review process to offer evidence of that commitment.
7. The Committee was just about to embark on an inquiry into the rail industry in Scotland at the time of Stage 1. Accordingly, the Committee did not make substantive recommendations on rail matters as they are affected by the budget.

Road Maintenance

8. The Committee commented that it was clear to it that there had been a deterioration in the state of the Scottish road system and that the longer the backlog in maintenance existed, the more difficult (and more expensive) this problem would be to solve. The Committee went on to recommend that the case existed for more funding to be directed in this area in order that substantial inroads could be made into the backlog. The Committee did note its concerns that it was important that any extra funding going to local authorities did actually result in real improvements in the local road network being made.

Underspend

9. At Stage 2 of last year’s budget process and, again, at Stage 1 earlier this year, the Committee expressed its concern at the size of the underspend on transport projects. At this time last year, the projected figure for 2001-02 was 8% but by Stage 1 this year officials were not able to provide an accurate estimate for that financial year even though it had ended. The Committee noted its dissatisfaction at not being in a position to comment on this matter in its Stage 1 report.

RESPONSE TO STAGE 1 REPORT BY THE EXECUTIVE

10. The Executive’s response to the Committee’s report was brief. In respect of the Committee’s comments on budget choices, it stated that the Committee’s “report has been a useful reference and guide and for this the Minister is grateful. However, the imminence of the Spending Review does limit the usefulness of detailed comment at this stage on some of the points you raise”.1

TDR and STAG

11. On the need for an appraisal mechanism to assess potential transport projects, the response stated—

“...I can assure you that it is our firm intention that appraisal systems, such as STAG, should be applied where major investment decisions are made”.2

12. The Committee questioned the Minister about STAG. The Minister made it clear that not all ten TDR projects would be subjected to the STAG process, indicating that some projects pre-dated its introduction while other projects – like the Glasgow and Edinburgh airport rail links – were currently at an advanced stage in a Strategic Rail Authority appraisal process. The Minister also confirmed that STAG itself had yet to be finalised. While the Minister was keen to assure the Committee that a rigorous appraisal does exist for each project, the Committee is

1 Scottish Executive response to the Committee’s report on the 2003-04 Budget Process at Stage 1, 2 September 2002
2 Ibid
concerned about the level of objectivity which will apply when comparing the TDR projects (in terms of the speed at which such projects will be developed). In the absence of usage of one appraisal system, capable of dealing with all modes of transport, the Committee is concerned that the accusation of “pet projects” being advanced cannot be effectively countered.

13. The Committee is concerned that a more ad hoc approach to decision making could lead to the adoption of non-optimal choices. The Committee, therefore, recommends that the Executive adopt STAG appraisals for those projects which remain in preliminary stages of development and to publish the results to enable this Committee and the wider public to be confident of the validity of those projects which are in receipt of public investment.

Road maintenance
14. On road maintenance, the Executive’s response stated—

“We recognise the points made about the need for councils to maintain their local road network and the difficulty of ensuring that money allocated for this purpose does arrive at the intended target.”

15. In the statement by the Minister for Finance and Public Services in June on end year flexibility, an extra £95 million was allocated to local authorities for 2002-03. In a letter to the Convener, prior to him giving evidence to the Committee, the Minister for Enterprise, Transport and Lifelong Learning explained how much of this new money had been allocated to address the maintenance backlog—

“Councils were asked to submit detailed spending proposals to the Executive, as Ministers are keen to know the improved outcomes which these additional resources will provide. Of the total, some £27.6 million (28%) will be directed towards spending on local roads, bridges and pavements. You may also like to know that a further £6.2 million has been allocated for road safety provisions, and some £2.8 million will be spent on neighbourhood safety, including improvements to street lighting”.

SPENDING REVIEW AND DRAFT BUDGET

16. The Minister told us that the “outcome of the Spending Review is remarkable in three ways”:

- The Minister claimed that it is, by any measure, a huge increase in the resources going into Scottish transport. The Minister acknowledged the difficulties in making comparisons over time but said that it must be many years, if ever, since transport commanded such a priority in Scottish spending, saying that over £1 billion by the end of the budget period would be spent directly on change.

- The Minister said that a long-term approach was required and that this budget showed the Executive’s commitment to be sustained beyond the budget period.

- The Minister said that it is a budget centred on people and their needs, stating that rather than getting caught up in infrastructure questions he wished to put

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3 Ibid
4 Letter of 30 September
the focus on getting people and goods to where they want to go, economically and sustainably.\(^5\)

**Size of transport budget**

17. It is clear that over the course of the spending review budget, the transport budget does, indeed, increase by substantial margins. From a projected figure for 2003-04 in the annual expenditure report of £1,180 million, this figure now stands at £1,408 million. This figure rises to £1,485 million in 2004-05 and £1,616 million in 2005-06.

18. However, these expansions are not as impressive as they may initially appear. A good deal of reshaping of budget lines has occurred since the annual expenditure report. So, the grant to Strathclyde Passenger Transport [2003-04: £72.5 million] which previously was included in the “grants to local authorities” budget line – and outwith the transport budget – is now included in the budget line for rail services in Scotland. Also on railways, from 2003-04 onwards, around £31 million has been added to the budget from 2003-04 onwards as a result of a baseline transfer from the UK Transport Department for the reprofiling of the Scottish rail passenger franchise. This reflects the protracted industrial relations and operational difficulties experienced by Scotrail during recent times, the result of which has been a percentage decline in passenger traffic. In turn this has undermined Scotrail’s ability to meet the subsidy targets set for the Train Operating Company when it was awarded the franchise. The implication of this has been a requirement by the Strategic Railway Authority on behalf of the UK Government to step in to make good a financial shortfall, which could have prevented the current operator being able to meet its contractual requirements.

19. Similarly, the Public Transport Fund [2002-03: £50 million] – which is now in its final round – has been transferred to the Integrated Transport Fund having previously been held in the local authority single allocation budget line [again, outwith the transport budget].

20. Additionally, the impact of resource accounting and budgeting on the transport budget must continue to be acknowledged. In the motorway and trunk roads budget, around 70% of the total budget of £866 million for 2003-04 comprises capital charges and depreciation – money which the Committee does not think the public will consider as being spent directly on change.

21. In summary, the Committee recognises that the transport budget is due to grow by a significant amount over the course of the budget period. Indeed, there are some budget lines, which show strong upward movements. The integrated transport fund, projected to increase from £60 million in 2002-03 to £296 million in 2005-06, will clearly have a pivotal role to play in delivering improvements in this period. But, there are other budget lines which have increased by more modest amounts or which have benefited from sideways movements of funding from other budget lines. The Committee, therefore, considers that it is necessary to read behind the figures to have a proper understanding of developing trends rather than relying on headline figures.

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Priorities, objectives and targets

22. Turning to the third point that the Minister made in evidence to the Committee [paragraph 14] about not getting caught up in matters of infrastructure, it could be added that there is little point in being distracted by what is going up and what is going down in the budget. Ultimately, this will not matter unless the key goals of transport policy are achieved. There is certainly no shortage of priorities, objectives and targets. Building a Better Scotland lists ten priorities for delivery by 2005-06 [which stem from the TDR] plus four objectives for transport expenditure which are supported by eight targets. These are repeated in the draft budget for 2003-04.

23. In additional evidence provided to the Committee, the Executive has set out the technical details of how these eight targets will be measured. Included in these notes is information on definitions, data, who produces the data, exact time period, timeliness of the date, past trends, milestones and quality control. The Committee welcomes the publication of this information in providing necessary context to the targets which have been set. The Committee therefore recommends that this information be updated at the time of the publication of the annual expenditure report and the draft budget for the remainder of this spending period.

Stabilising road traffic

24. Perhaps the key overarching priority which several of these targets seek to support is the Executive’s stated goal of striving to stabilise road traffic at 2001 levels by 2021. The Minister told the Committee that the Executive’s view is not to set milestone targets along the way. The Minister stated that the Executive expected road traffic levels to increase in the short term, with the figures levelling off and eventually being reduced once long term transport policies have had a chance to take effect.

25. The Committee, of course, accepts the desirability of having long term transport goals in the context of national priorities. But there is a danger of such overarching policies having no substance if they are not supported by evidence that such goals are deliverable, which in turn may lead to them being either downgraded or dropped altogether.

26. As such, the Committee considers there to be merit in setting milestone figures in order that an assessment can be made in future years as to the likelihood of the goal being attained, notwithstanding the Committee’s acceptance that the road traffic situation may become worse before it gets better (and that interim targets will need to reflect this picture). The Committee believes that the public will only have confidence in such a long-term goal if interim targets are set allied to other policies being put in place which are demonstrably supportive of this goal.

Intermodal shift

27. The Committee notes the apparently modest growth targets which have been set for rail, local buses, lifeline ferries and use of HIAL’s airports over different time periods up to 2005-06. Nevertheless, against a background of downward trends in bus use and traffic through HIAL airports, in some cases attaining such targets will be challenging. However, given projected increases in
subsidy levels or public investment in most cases, the Committee considers that the targets do not imply a proven improvement in value for money for the taxpayer.

28. The Committee also notes the role that walking, cycling and safer streets initiatives can play in achieving intermodal shift but, due to constraints on the Committee’s time, these were not issues on which the Committee took evidence and the Committee, therefore, has no specific recommendations in this area.

29. The Committee has yet to be convinced that evidence exists showing a decoupling between transport intensity and economic growth. If the Scottish economy recovers strongly during the spending period, the Committee considers that realisation of these growth targets will almost inevitably fail to halt a decline in public transport’s current market share while modal shifts implied in these figures would reflect – at best – only a negligible switch from less sustainable modes.

30. Current official figures suggest that in terms of total distance travelled by residents public transport share is as much as 13%, while rail and bus each account for about 1% of trips. Other estimates based on total inland surface mechanical modes suggest the mode share in terms of distance travelled lie in the range 7-10%.

31. In view of the increasing share of the Scottish budget represented by transport spending, and a change in emphasis to public transport and more sustainable modes generally, the Committee takes the view that much more challenging targets are required if the taxpayer is to see value for money and the goals of an integrated and sustainable transport policy are to be realised.

Rail

32. As stated above, the Committee undertook a major inquiry into the rail industry in Scotland. The report, published in October, made a number of detailed recommendations to the Executive, all with the aim of turning round the rail industry (and the services it provides to users) over the coming years. On targets for the rail industry, the Committee stated—

“The Committee notes that ‘Building a Better Scotland’ includes various transport targets. However, the Committee is concerned that the rail passenger target is an increase in trips of no more than 5% between 2002 and 2006 while there is an absence of targets for rail freight beyond 2003. This passenger target of 5% growth over four years, in the view of the Committee, could be more ambitious. It also contrasts with the 21% rise in Scottish rail passengers actually achieved between 1995 and 2000. The Committee acknowledges that recent events have led to reversal of this trend, but this situation is now stabilising.

In the course of this report the Committee has proposed actions which should allow short-term increased rail capacity and therefore an improvement in passenger numbers. The Committee therefore recommends that a higher passenger target should be adopted for the period between 2002 and 2006 and that a rail freight growth target should be set for 2003 to 2006.”

33. The Minister declined to comment on these recommendations during the course of the evidence-taking session, preferring to wait until the issue of the Executive’s full response to the report. The Committee also asked the Minister about the level of subsidy given to the industry. In follow-up evidence, the Minister
confirmed that the level of subsidy per passenger journey was £2.40 in 2001-02. The Executive was reluctant to provide a projected figure for the period covering the start of the next rail passenger franchise.

34. When assessing the projected growth in rail passenger traffic, the Committee considers it important to view this figure against a projected 17% increase in subsidy compared to 2002-03. So, achievement of this target would see subsidy per rail journey rise from £2.40 in 2001-02 to somewhere in the range £3.00 to £3.10 per journey by 2005-06.

35. The Committee re-iterates its recommendation for the Executive to establish more ambitious growth targets for modal shift and rail passenger growth that demonstrate value for money through at least a stabilisation in or preferably a reduction in rail passenger subsidy per journey. Specifically, the Committee recommends that, prior to the publication of the Budget Bill in January 2003, the Executive sets a more challenging target in the accompanying technical notes to the Budget in relation to increasing rail passenger journeys on the Scottish rail network.

Freight facilities grant
36. The Committee was interested to learn about the impact that the freight facilities grant (FFG) is having in removing freight from the road system. The FFG target for 2003-04 is for awards to be made by March 2004 which will remove 23 million lorry miles per annum from Scotland's roads. The target for March 2002 was 18 million miles and for March 2003 the target is 21 million. These targets represent 1.2% and 1.4% respectively of the annual HGV mileage in Scotland.

37. The Executive’s view is that whilst these are small percentages it should be borne in mind that HGVs are classified as vehicles over 3.5 tonnes. The Executive argues that most of the lorries which will be removed from Scotland's roads as a consequence of the FFG awards are likely to be in the 30-40 tonne category. Accordingly, the Executive considers that the true percentage will therefore be much higher but the necessary split of the base information is not available.

38. The Executive also stresses the importance it attaches to the fact that a number of significant projects have progressed with the help of FFG awards such as the Rosyth to Zeebrugge ferry, carriage of fuel around Scotland, coal from Ayrshire to Longannet and other power stations, Safeway goods to the North and taking 44 tonne timber lorries off fragile, narrow roads in the Western Highlands.

39. On this last point, there is a view that the FFG could be expanded to allow funding to be given to improve private roads in rural areas in order to transport freight (particularly timber) to railheads or ports. The Minister’s view is that the FFG is not the appropriate way to fund such projects but suggested that there may be alternative ways in which such projects could be funded. The Committee would welcome clarification from the Executive on this.

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6 The Executive calculated this figure by taking the subsidy out-turn for 2001-02 and dividing that by the number of passenger journeys wholly within Scotland.
40. While, the Committee takes on board the Executive’s view of role of the FFG, it recognises the limitations of its impact in terms of the overall freight picture. The Committee is cogniscent of the role of air freight in meeting Scotland’s needs. For the UK as a whole air freight represents about 20% in value terms of goods exported. In Scotland, Prestwick is the dominant freight hub (with approximately 80% of the cargo market) and in contrast to other Scottish airports has demonstrated sustained growth over the last decade.

41. In view of the limited role played by rail in serving freight requirements the Committee urges the Executive to consider the actual and potential role of air freight in boosting the performance of the Scottish Economy, notwithstanding the undoubted tension which exists between air transport’s role in the Scottish economy and the requirements of a sustainable transport policy.

Underspend

42. Finally, the Committee wishes to comment on the progress which the Executive is making in addressing the size of the transport underspend, an issue which had been identified by the Committee in its last two budget reports.

43. The Committee was encouraged by the Minister’s comments that the Executive is more rigorously monitoring expenditure than before and is more adept in looking to see how projects can be brought forward if there has been slippage in other projects. The Committee welcomes the Minister’s statement that it is projected that all 2002-03 monies will be spent by the year end. The Committee will look forward to receiving the outturn information next year.