FINANCE COMMITTEE

AGENDA

24th Meeting, 2002 (Session 1)

Tuesday 3 December 2002

The Committee will meet at 10.30 am in Committee Room 1 to consider the following agenda items:

1. **Declaration of Interest:** The new Committee member will be invited to make a declaration of any relevant interest.

2. **Choice of Convener:** The Committee will choose a new Convener.

3. **Cross-cutting reviews:** The Committee will consider a paper on the handling of cross-cutting expenditure reviews.

4. **ACPAC Conference:** The Committee will consider an invitation to attend the Conference in February.

5. **Budget process 2003-04 (in private):** The Committee will consider a draft report at Stage 2.

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

**Agenda item 3**

Paper by the Clerk  

**Agenda item 4**

Paper by the Clerk  

**Agenda item 5**

Draft 2003/04 Stage 2 Budget report  

PRIVATE PAPER
INTRODUCTION

1. The Committee agreed to undertake two cross-cutting expenditure reviews at its meeting on 12 March 2002. It was acknowledged that this was the first time such cross-cutting reviews had been carried out within the Parliament, and that the work would, as a consequence, be experimental in nature. As the two current reviews (Children in Poverty, and Regeneration as delivered through the voluntary sector) are nearing completion, there is benefit in assessing the practices and procedures adopted. In doing so, this paper seeks to identify advantages and disadvantages in the way the reviews have been conducted and makes recommendations for future practice.

2. Whether similar reviews will be undertaken in future is a matter for the successor committee to this Finance Committee, which will be constituted in the second session of the Parliament. An overall judgement as to whether the reviews have made a worthwhile contribution to the scrutiny role of the Committee cannot be taken until the final reports are available. However, there is clear evidence that the primary aim of filling the gap created by the system of departmental scrutiny (see paragraph 3 below) has been achieved. It is suggested therefore, that the successor committee should be encouraged to conduct such a review in the next financial year.

BACKGROUND

3. The Committee launched the reviews in April 2002. As scrutiny of the Executive’s expenditure proposals is currently carried out largely on a departmental basis, the Committee was concerned to ensure that there was proper scrutiny by the Parliament of the delivery of policy objectives which cut across more than one department’s responsibility. To that end, it identified the two issues above as ones which would be suitable for scrutiny. The Finance Committee’s coordinating role in relation to the annual budget means that it is uniquely placed to examine such cross-cutting expenditure programmes.

4. The Committee recognised at the outset that the process would be an iterative one, and that an assessment of the procedures adopted would be necessary at the conclusion of the reviews. This paper examines the structure of the current reviews in the light of experience, identifies issues and suggests recommendations on the conduct of future reviews for consideration by the successor committee.

WORKLOAD IMPLICATIONS

5. This decision to undertake two reviews was due partly to a contemporaneous decision not to launch an inquiry. Due to workload and resource implications, it is
unlikely that a successor committee would be able to successfully manage two reviews and an inquiry at the same time. This would be even more problematic should it continue with this Committee’s increased level of scrutiny in relation to Financial Memoranda. For these reasons, it is suggested that the Committee advises its successor to conduct only one review at a time in future.

6. It will of course be a matter entirely for the successor committee to identify the topic of a review that it may wish to conduct. However, one lesson learned from this year’s reviews has been the need to get the process up and running as early as possible. With a view to assisting this process, it is suggested that the clerks bring forward a paper after the completion of this year’s reviews, setting out potential topics for a future review. The Committee may then wish to make a recommendation to its successor on the basis of its experience this year. The criteria for future reviews should include:

- the policy objective having a significant level of expenditure;
- the drivers for the policy objective being wholly or mostly devolved to Scotland; and
- the expenditure involved is truly cross-cutting, being the responsibility of at least two departments.

Structure

7. The reviews have been carried out by reporter groups of committee members rather than by the Committee as a whole. While this has allowed a great deal of flexibility in managing the reviews, there have been a number of disadvantages to this. These include:

- difficulties in arranging mutually convenient times for members to meet outwith the programme of committee meetings;
- difficulties in securing Ministerial/official attendance due to the informal nature of meetings;
- difficulties in securing suitable accommodation in the parliamentary campus for members to meet consultees or witnesses;
- deciding to seek written evidence from a nominated group of individuals/organisations, rather than issuing a general call for evidence as happens with a committee inquiry;
- informality of evidence sessions allowing scope for digression; and
- the lack of an Official Report of evidence taken making reporting very problematic.

8. As it is clear that the benefits of the current system are outweighed by the disadvantages, it is recommended that advice be given that future reviews are conducted by the whole Committee as part of its formal work programme.
Resources

9. At the outset, the Committee was careful to ensure that the reporter groups had access to as wide a range of resources as possible, in order to ensure the success of the reviews. The Committee is asked to decide whether a similar structure should be recommended for future reviews.

Advisers

10. The Committee appointed an adviser for each review, who had overall responsibility for the management of the review including the identification of pertinent information and data, suggesting potential areas of novel research, identifying witnesses, drafting lines of questioning for evidence-taking sessions and drafting the final report. Advisers have been closely involved with clerks in managing the reviews and have proved to be pivotal in directing the reviews and in conducting evidence taking sessions. It is therefore suggested that the Committee recommends retention of the adviser role.

Consultees

11. It is less clear that the appointment of consultees has been as successful. It was originally envisaged that consultees would have a “steering” influence on the reviews and would contribute at all stages of the process. In practice, that has proved difficult, not least because of the fact that the externally commissioned research, which informs much of the review, is not available until late in the process. Another difficulty has been the fact that many of the organisations appointed as consultee organisations are those which the reporter group may ultimately want to take evidence from. There is an obvious potential for conflict of interest in an organisation having both a steering role and a contributory role. Moreover, it can be difficult for consultees to play a full and active part in the process, given that so much work is already being carried out by the adviser and through the commissioned external research (see below).

12. For these reasons, the active role originally foreseen for consultees has in practice been a passive or reactive one. Their input has been one that could have been secured on an informal basis or provided by either the adviser, the clerks or SPICe. There may also be a danger of raising expectations of involvement where there may be practical bars to any meaningful input. The Committee is therefore asked to recommend that the role of appointed consultees be discontinued, while recognising that informal contacts may be more productive.

Research

13. The commissioning of external research has created problems for the smooth running of the review. As reporter groups are not in a position to identify the research it may require until the review is underway, it was necessary to create a panel of potential researchers from whom study programmes could be commissioned. This has created difficulties, for example in ensuring that all possible areas of research are catered for in the membership of the panel, and also avoiding the raising of expectations of those appointed to the panels. Despite these difficulties, there is no real alternative, so a similar procedure will have to be followed for future reviews. It is suggested however that, subject to agreement to other suggestions in this paper, the Committee recommends that
advisers be tasked with identifying the external research requirement at the earliest possible date after their appointment.

Witnesses

14. Evidence taking sessions have been affected by the restrictions mentioned in paragraph 7 above. Should the committee agree to recommend that evidence be taken within the formal setting of a Committee meeting, many of these problems will disappear. It should be stressed that where the Committee would find it beneficial to take informal soundings from organisations or individuals, that would still be possible.

David McGill
Clerk
November 2002
The 7th Biennial Conference of the Australasian Council of
Public Accounts Committees

Invitation to Finance Committee:
Background Note

Background

An invitation has been extended to the Conveners of the Finance and Audit Committees from the Australasian Council of Public Accounts Committees, to attend their 7th Biennial Conference in Melbourne, Australia, from 2nd February – 5th February 2003. An outline of the relevant parts of the conference programme is shown below.

Conference Programme

The programme for the event includes a number of items which are of interest to the Committee. The first substantive day of business will include an afternoon session on ‘Public private partnerships – Are there gaps in public sector accountability?’ As members will be aware the Committee only recently completed its inquiry into PPPs and it is envisaged it will continue to take an active role in monitoring the implementation of the Executive’s policy in this area. It therefore may be useful to gain a perspective into how other institutions are involved in the budgetary implications of the policy.

Further items of note throughout the conference are concerned with both output and outcome budgeting. The item on output budgeting should interest the Committee as it deals with transparency issues in accrual budgeting, which is relevant given the recent implementation of Resource Accounting and Budgeting into mainstream Scottish Executive budgeting.

In relation to outcome budgeting, members will again be aware of the recent external research commissioned by the Finance Committee into this area, with particular attention paid to the development of meaningful performance measures for outcomes. This is an area which the Committee is keen to develop and many of the Parliament’s subject committees have commented on difficulties they have experienced in measuring performance. The Committee’s thinking on this issue would benefit from sharing international experience.

Further Information

The Convener of the Audit Committee has indicated that he intends to accept the invitation and it has been agreed that it would be sensible for both Conveners to attend the conference.

Should the Committee agree, the attached paper will go to the Conveners’ Liaison Group for approval. The clerks have been informed that there is sufficient funds in the Committee Office budget for trips of this nature. They have also been advised that similar trips by the Enterprise and Lifelong Learning and Subordinate Legislation
Committees have proved very valuable in developing relations with other parliamentary bodies, as well as informing the Committees of major developments in their field.

David McGill
November 2002
REQUEST BY FINANCE COMMITTEE FOR APPROVAL FOR THE CONVENER AND CLERK TO ATTEND THE 7TH BIENNIAL CONFERENCE OF THE AUSTRALASIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

Nature of request

The Finance Committee asks the Conveners’ Liaison Group to endorse its request for a member of the Committee and the Clerk to attend the 7th Biennial Conference of the Australasian Council of Public Accounts Committees, on behalf of the Finance Committee.

Number of Participants

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<tr>
<td>Committee Members</td>
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<tr>
<td>Clerk</td>
<td>1</td>
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<td><strong>Total</strong></td>
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Justification

The Finance Committee is currently undertaking a scoping exercise into how the Parliament conducts financial scrutiny. This will identify practices and procedures which could be improved or streamlined, in order to ensure that the Parliament is in a position to take a careful, measured and strategic approach to its scrutiny of the Executive’s expenditure plans and budgetary control. In addition, the Committee commissioned external research into the implementation of outcome budgeting and then invited reaction to this from a wide range of interested organisations. It has also commissioned research into financial scrutiny arrangements in other legislatures, the results of which are due early in the new year.

As the conference will cover issues of current concern to the Committee, such as Outcome Budgeting, the development of performance indicators and Public Private Partnerships, it will provide a valuable contribution to the Committee’s ongoing work. Overall, it provides an important opportunity to contribute to the improvement of current practice in the Scottish Parliament. The conference also offers the opportunity for the Committee to develop relations with similar institutions in other countries.

Cost

A maximum costing is set out in Appendix 1 based on the Member and the Clerk travelling on Thursday 30 January, staying for 5 nights, then travelling back on Thursday 6 February.

The Conveners’ Liaison Group is therefore asked to endorse the request of the Finance Committee for a Member and the Clerk to attend the 7th Biennial Conference of the Australasian Council of Public Accounts Committees, and to approve in principle the costing as attached.
COSTING OF PROPOSED CONFERENCE

The costs to be met out of the committee travel and expenses budget, and Committee Office budget are:

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<tr>
<td>Accommodation</td>
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<td>2 @ £75 x 5 night</td>
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<tr>
<td>Travel</td>
<td>£5180</td>
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<tr>
<td>Edinburgh to London return – 2 x £90</td>
<td>£180</td>
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<tr>
<td>London to Melbourne return – 2 x £2500</td>
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<tr>
<td>Conference Fees</td>
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<td>2 x £125</td>
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Budgetary Information

Costs to Finance Committee budget (Cost Centre P11115):

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<td>Committee Travel (SP414030)</td>
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<td>Committee Expenses (SP414035)</td>
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Costs to other budgets:

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<td>Conference Fees (SP 416280)</td>
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