FINANCE COMMITTEE

AGENDA

1st Meeting, 2003 (Session 2)

Tuesday 10 June 2003

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

1. **Declaration of Interests**: Members of the Committee will be invited to declare any relevant interests.

2. **Choice of Convener**: The Committee will choose its Convener.

3. **Choice of Deputy Convener**: The Committee will choose its Deputy Convener.

4. **Work Programme Issues**: The Committee will consider a paper from the Clerk on this year’s Budget process and the previous Finance Committee’s Financial Scrutiny Review report (SP Paper 784).

5. **Budget Adviser**: The Committee will consider a paper from the Clerk on the appointment of a Budget Adviser.

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

**Agenda Item 1**
Briefing note on the Declaration of Interests

**Agenda Items 2 & 3**
Briefing note on the procedure for the Choice of Convener and Deputy Convener

**Agenda Item 4**
Paper by the Clerk

Finance Committee (Session One) 3rd Report 2003 *Financial Scrutiny Review*, SP Paper 784

**Agenda Item 5**
Paper by the Clerk on the appointment of a Budget Adviser

Suggested advisers on the budget process

PRIVATE PAPER
Finance Committee
Declaration of Interests

Background
1. Article 5 of the Members’ Interests Order provides that before participating in proceedings (otherwise than by attending or voting) a member must make an oral statement or declaration of any registered interests which would prejudice or give the appearance of prejudicing the Member’s ability to participate in a disinterested manner.

2. It is the responsibility of the individual Member to judge whether a registered interest is sufficiently relevant to particular proceedings to require a declaration. The Code of Conduct advises at paragraph 5.2.12 that Members should ‘err on the side of caution’. Members may also seek advice from the Standards Committee Clerks.

3. Members are not required to declare interests which they have registered on a voluntary basis (i.e. those appearing in the “Miscellaneous” category on the Register).

Declaration of Interests at the First Committee Meeting
4. In the previous Parliamentary session, it was established that Members should make an initial declaration of interests at the first meeting of each committee to the extent of that committee’s remit. Paragraph 5.3.3 of the Code of Conduct states that:

   It has been established as good practice that Members should declare interests relevant to the remit of that committee at the first meeting of the committee or on the first occasion on which they address the committee, irrespective of the business before the committee at that meeting.

5. At the first meeting of the Finance Committee, the oldest Member who will be in the chair will invite Members to declare any relevant registrable interests. The declaration should be brief but sufficiently informative to enable a listener to understand the nature of the Member’s interest. It is not necessary to rehearse all the details of an interest as it appears in the Member’s entry in the Register of Interests if this is more than required to explain the nature of the interest.

6. If Members have any questions about what might constitute an interest relevant to the remit of the Finance Committee, they should contact the Clerk to the Finance Committee prior to the meeting. The Standards Committee Clerks are also happy to provide advice.

Declaration of Interests at Subsequent Committee Meetings
7. Members are also required to declare any registered interests which may be relevant to business discussed at subsequent committee meetings. Where a Member has an interest relevant to the proceedings, he or she must make a declaration of interest at each meeting in which he or she
participates, other than by simply attending or voting. This is to allow the public attending any committee meeting to be aware of the Member’s interest. The declaration should be made at the start of the relevant agenda item or as soon as the Member is able to make the declaration, but before otherwise participating in those proceedings. A declaration must be made whether a committee meets in public or in private. Where a relevant matter is discussed in both private and public at any single committee meeting, the declaration should, as good practice, be made during the public session even if it has already been made in private session.

8. Members should, as good practice, also declare any business or personal relationships they might have with any advisers or witnesses to the committee.

Further Guidance
9. Further guidance on declaring registrable interests may be found in section 5 of the Code of Conduct. The Standards Committee Clerks are also happy to provide advice to Members.

Clerking and Reporting Directorate
June 2003
Finance Committee  
Choice Of Convener And Deputy Convener

Introduction
1. This paper is designed to inform Members of the procedure for choosing a Convener and Deputy Convener at the first meeting of the Committee.

Oldest Member
2. Standing Orders oblige all committees to choose a Convener at their first meeting. Rule 12.1.6 states that the meeting is to be chaired by the Oldest Committee member until a Convener is chosen. The “Oldest Committee Member” is defined as the oldest member of the committee present at the meeting and who has indicated to the Clerk that he or she agrees to chair the meeting.

Choice of Convener
3. On 4 June 2003, the Parliament agreed to motion S2M-107 which resolved that members of the Labour Party are eligible to be chosen as Convener of the Finance Committee. The Oldest Committee Member will, following the declaration of interests, invite nominations from members of that party for the convenership. There is no requirement for nominations to be submitted in advance of the meeting or to be seconded.

4. If only one nomination is received, Members will be asked to agree to the appointment.

5. In the event that more than one nomination is received, the Oldest Committee Member will call a division, putting the question on each nomination in turn and declaring the nominee with a majority support to be the Convener.

6. On being chosen by the Committee, the Convener will immediately take the chair and will chair the remainder of the meeting.

Choice of Deputy Convener
7. The procedure for choosing a Deputy Convener is the same as that for the Convener and will be conducted by the newly-chosen Convener.

Role of Convener and Deputy Convener
8. The duties and responsibilities of the Convener and Deputy Convener of a Parliamentary Committee are set out in Rule 12 of Standing Orders. Further detail is provided in paragraphs 4.7 to 4.13 of the Guidance for the Operation of Committees (Second Edition) which can be found at http://www.scottish.parliament.uk/business/g-committee/cg-1.htm#8

Committee Office  
June 2003
A. BUDGET PROCESS

Introduction
1. Members have received a briefing pack on the work of the Finance Committee in the last session. As part of the pack, SPICe has prepared a Guide to the Scottish Budget which sets out, among other things, the process of Parliamentary scrutiny currently in place. Members should be aware that, due to the election in May, there a change to the usual three-stage process was agreed.

2. As Members will be aware from the Guide, the Executive normally publishes its Annual Expenditure Report (AER) on or before 31 March each year and this signals the start of stage 1 of the annual scrutiny cycle. This year, that date coincided with the dissolution of the Parliament, creating difficulties in the process in terms of the timing and validity of information. At its meeting on 18 November 2002, the previous Finance Committee therefore agreed with Ministers to forego the normal process as far as stage 1 is concerned. This, in effect, meant that no AER was published this year and no strategic overview of spending intentions was produced.

3. To compensate for the gap created by the lack of an AER, the Executive undertook to produce the Draft Budget earlier than is normally the case. That document is usually published on or before 20 September, but in the extraordinary circumstances created by this year’s election, the Executive has undertaken to aim for publication around the middle of August.

Approach
4. This being the case, the clerks will work with the budget adviser (if one is appointed) and colleagues in SPICe to ensure that the Committee is, on resumption after recess, fully briefed on the content of the Draft Budget. Should Members agree to the previous Committee’s recommendation that consultation with external experts be continued, we will begin to identify potential organisations and individuals from whom the Committee may wish to hear. We will also seek an early briefing from Executive officials.

5. As Members will be aware from the Financial Scrutiny Review report (see paragraph 7), it was the previous Committee’s practice to meet outwith Edinburgh when consulting on the Draft Budget. The purpose of doing so was essentially to gauge the impact of the Draft Budget on local communities and their level of engagement with national spending decisions. The previous Committee met in various locations, including Perth, Kirkcudbright, Kirkwall and Portree and such sessions proved to be very useful. Members will be asked nearer the time whether it wishes to continue that approach and to decide on a venue for any such meeting this year.

6. Before reporting its findings to the Parliament around late November/ early December, the Committee will consider the reports of the Parliament’s subject
committees and will take public evidence on the Draft Budget from the Finance Minister.

B. FINANCIAL SCRUTINY REPORT

Background
7. In January 2002, the Finance Committee decided to review the range of scrutiny arrangements in place in the Parliament. The review proceeded as a number of discreet projects and the final report was published in February 2003. A copy of the report is attached.

Recommendations
8. The review resulted in a number of existing practices being amended or changed. It also made a number of recommendations for action by the new committee and members are asked to take an initial view as to whether there is merit in taking these up. The Conveners’ Group recommended that all committees consider having an awayday in order to familiarise themselves with their remit and to feed into their work programmes. If the Committee decides to have an awayday, more detailed consideration of the review could be undertaken. In the meantime, it would be useful to have initial reaction to the content of the report from Members.

9. In summary, the main recommendations of the Financial Scrutiny Review are:

- **Outcome Budgeting**: that discussions that took place between the Executive and the previous committee are continued;

- **Financial Memoranda**: that the Committee continues to scrutinise carefully financial memoranda published to accompany Bills introduced into the Parliament;

- **Spending Announcements**: that the Committee repeats analysis of Executive spending announcements in order to ensure that new guidelines designed to ensure clarity in the sources of funding are adhered to;

- **Budget Transfers**: that the Committee undertakes a review of the system of budget transfers suggested by the Financial Issues Advisory Group;

- **Budget Scrutiny**: that in its guidance to the Parliament’s subject committees, the Committee recommends that relevant departmental targets are reviewed;

- **Budget Documents**: that the Committee reviews the presentation of financial information in budget documents and continues to seek improvements in this area;

- **Consultation**: that the Committee continues to increase the level of consultation in budget choices;

- **External meetings**: that the Committee continues to meet in venues outwith Scotland during its scrutiny of the Executive’s budget proposals; and
• **Budget Process**: that a fundamental review of the current process be completed.

**Feedback**
10. As can be seen, the report covered a wide range of issues and it may be that Members will wish to have more time to study the background in detail. At this point, an indication of whether Members wish to build on the last committee’s work in this area would be useful.

11. Should the Committee decide to have an awayday as recommended by the Conveners’ Group, a fuller discussion of the Financial Scrutiny Review and the committee’s work programme will be included in the programme.

David McGill
May 2003
Finance Committee
Standing Adviser on the Budget Process

Background
1. Co-ordinating the annual budget process and the Parliament’s scrutiny of Scottish Executive spending plans is one of the key tasks undertaken by the Finance Committee.

2. In September 2001, the previous Finance Committee agreed to seek the appointment of a Standing Adviser on the Budget Process. Until that time, the Committee had been served by advisers appointed on an annual basis for the standard 15 day period. That had proved to be unsatisfactory due to the range of duties required of a budget adviser and the Committee consequently undertook to seek a greater degree of assistance with the budget. A standing adviser was subsequently appointed in early 2002 and his contract expired on the dissolution of the Parliament.

Standing Adviser - rationale
3. The role of standing adviser has proved to be crucial to the work of the Finance Committee. Previously, advisers had time to do little more than summarise the Executive’s spending plans and to highlight areas requiring greater clarity. Some work was done in guiding subject committees and distilling their reports when received by the Finance Committee. This was, however, dependent on the capacity of the adviser to provide this service within the confines of the Parliament’s standard 15-day appointment period.

4. It is fair to say that the overall situation was one characterised by piecemeal scrutiny rather than consistently holding the Executive to account over spending decisions. In addition, the Committee had decided that it wished to seek ways of influencing those decisions rather than merely reacting to them, thereby increasing calls on the adviser’s already limited time.

5. To this end, it had, in early 2001, commissioned external research into ways in which such influence could be brought to bear. That research (“The Real Scope for Change” Midwinter and Stevens, SP Paper 322) led to ongoing dialogue with Finance Ministers on changes to documents and to practice and procedure which would allow the Committee and the Parliament to play a greater role in setting expenditure plans.

6. This amounted to a new and more sophisticated approach to the budget process and to a greater degree of involvement with it on the part of the Committee. In order to service that increased involvement, it was felt that increased resources should be made available to the Committee.

Standing Adviser - experience
7. In the early years of the first session of the Parliament, there was confusion with the budget process and the respective roles of the Finance Committee, subject committees and the Executive. This had led to a degree of dissatisfaction with the process on the part of subject
committees and a consequent failure on their part to engage fully with it. The first role undertaken by the standing adviser was to put in place systems which allowed subject committees to have a greater understanding of budgetary allocations and how to focus effectively on aspects of departmental plans. This was done in conjunction with the Scottish Parliament Information Service (SPICe) and has led to increased involvement from subject committees.

8. Detailed guidance to committees has been prepared by the standing adviser at the beginning of the process and a comprehensive distillation of their subsequent reports has been issued to the Finance Committee before it in turn reports to the Parliament. The direct result of this has been a dramatic increase in the number of recommendations for reallocation of resources being made by subject committees.

9. The standing adviser has played a prominent role in the quantity and quality of information made available to the Parliament. A balance between the amount and usefulness of information has been struck and, while further improvements will require to be sought, this has allowed the Parliament to focus on areas of interest and areas in which it can influence without having to process large amounts of data relating to non-discretionary spending.

10. Much of the work in this regard is ongoing. An incoming adviser would be able to build on improvements already secured and should be mandated to work towards finalising a system which allows the maximum degree of participation on the part of the Parliament. Work is already underway in amending the budget process which existed in session 1 and it will be a major part of a standing adviser’s role to see that work through to completion and to oversee its establishment.

11. Finally, Members may wish to consider that in its report on the Founding Principles of the Scottish Parliament (SP Paper 818, Session 1), the Procedures Committee recommended the retention by the Parliament of a standing budget adviser.

Decision
12. Members are asked to agree to seek the appointment of an adviser on the budget process in line with the role established in session 1.

Specification
13. A draft specification is attached as an Annex and members are asked to agree a final specification. Experience has shown that there are a limited number of suitable candidates for appointment and colleagues in SPICe have been asked to compile a list of potential advisers. Should the Committee agree to seek the appointment, it will be asked to move into private session in order to discuss those on the list and agree on an request for appointment. The Corporate Body will then be approached to agree the request.

David McGill
June 2003
ANNEX

SPECIFICATION FOR AN ADVISER ON THE BUDGET PROCESS

Background
1. The Finance Committee is one of eight mandatory committees in the Scottish Parliament. The remit of the Committee is set out in Rule 6.6 of the Parliament’s Standing Orders. The principal role of the Committee is to consider and report on proposals for, and budgets of, public expenditure and any matter relating to expenditure payable out of the Scottish Consolidated Fund.

2. A major feature of the Committee’s workload is its involvement in the annual budget process. The process is designed to allow the Parliament not only to scrutinise the spending priorities of the Executive, but also to play an active role in making recommendations on how funding should be allocated. The Finance Committee plays a central co-ordinating role in the process, with the Parliament’s subject committees reporting to it before it produces an overall report for consideration by the Parliament.

3. The Committee has agreed to seek the appointment of an adviser on the annual budget process. The adviser will be expected to assist the Committee in scrutinising the Executive’s spending proposals and to provide assistance to the Parliament’s subject committees in their scrutiny of Departmental budgets. The adviser will have a key role in ensuring that the Finance Committee and subject committees are in a position to fulfil their duties in relation to scrutiny and to play an active part in the finalisation of spending priorities, including producing recommendations for change.

Adviser duties
4. The appointment will take the form of a “standing adviser” who would be expected to undertake duties in relation to two broad areas: (1) devising and advising on the arrangements for each year’s budget process and (2) acting as technical expert to the Finance Committee. The main duties under each of these headings are:

Arrangements for each year’s budget process

- liaise at a technical level with the Executive regarding the content of budgetary documents;

- plan the Parliament’s input into the budget process and structure guidance for subject committees that will enable both meaningful scrutiny and workable recommendations to be produced by them;

- brief committee conveners and subject committees on their role in relation to the budget process and how they can obtain the most from it;
• advise and assist any advisers appointed by subject committees to look at departmental budgets; and

• assist in the recommendation, where appropriate, of alternative spending priorities by the Finance Committee or subject committees.

Technical adviser to the Finance Committee

• advise and liaise with Finance Committee clerks and Scottish Parliament Information Centre (SPICe) researchers;

• take forward work already underway in changing the current budget process with a view to improving scrutiny and allowing a meaningful input by the Parliament in the process of setting budgets;

• scrutinise and advise the Finance Committee on budget documentation, primarily budget revisions and the documentation which accompanies the annual Budget (Scotland) Bill in January, with the aim of reconciling spending plans with the figures in legislative documents;

• in conjunction with the clerks, draft Finance Committee reports at stage 1 and stage 2 of the process;

• undertake project work relating to the budget process as agreed by the Finance Committee.

Person Specification

• Skills/Abilities – The adviser must have proven analytical skills, particularly in relation to budgetary matters. Excellent communication skills, both oral and written, and an ability to distil technical or complex issues are essential.

• Experience – The adviser will have considerable experience of matters relating to public finance. Experience with working with politicians and committees would be a distinct advantage.

• Knowledge – An in-depth knowledge of the Scottish budget process is crucial. As well as knowledge of the work, powers and procedures of the Parliament, the adviser will need to demonstrate a good understanding of the role and remit of the Finance Committee.

• Deadlines – Due to the nature of parliamentary business, the adviser will be required to produce work of a high standard to tight deadlines at various times and a proven ability in this area is essential.

• Availability – As the budget process involves different periods of activity, the adviser will have to be flexible in his or her availability for work.
Time commitment

5. The nature of the work is cyclical. Although it is difficult to predict the number of working days for which the adviser will be required with any certainty, it is likely that he or she would be required to devote on average four days per month to the position.

6. The appointment will be until the end of the second parliamentary session (most likely April 2007). This will allow the adviser to take a long-term view of the procedures and processes that require to be put in place to improve scrutiny and give him or her a full parliamentary session to ensure that a fully open, participative system is not only in place but well established.