FINANCE COMMITTEE

AGENDA

13th Meeting, 2003 (Session 2)

Tuesday 11 November 2003

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

1. **Nature Conservation (Scotland) Bill:** The Committee will take evidence on the Bill’s Financial Memorandum from—

   Jeff Watson, Director of Strategy and Operations (North) and Alan Hampson, National Strategy Officer, Scottish Natural Heritage

   Alan Stewart, Wildlife and Environment Officer, Tayside Police

   Jane Dalgleish, Head of Wildlife and Habitats Unit; David Reid, Head of Development and Rural Affairs Finance Division and Duncan Isles, Nature Conservation Bill Team Manager, Scottish Executive.

   The Committee will discuss the evidence it has taken in advance of its report to the Environment and Rural Development Committee.

2. **Criminal Procedure (Amendment) (Scotland) Bill:** The Committee will take evidence on the Bill’s Financial Memorandum from—

   Wilma Dickson, Head of Criminal Procedure Division; Tom Fyffee, Bill Team Member and Sharon Grant, Community Justice Services, Scottish Executive.

   The Committee will discuss the evidence it has taken in advance of its report to the Justice 1 Committee

3. **Budget Process 2004-05:** The Committee will consider subject committees’ Stage Two reports on the Draft Budget.

4. **Reporters’ reports:** The Committee will consider a remit for its reporters’ investigation into the Scottish Executive’s relocation policy and its reporters’ investigation into Scottish Water.

5. **Items in private:** The Committee will decide whether to consider its draft report on the Financial Memorandum of the Criminal Procedure (Amendment)
The papers for this meeting are:

**Agenda item 1**

Nature Conservation (Scotland) Bill, Policy Memorandum and Explanatory Notes

Paper by the Clerk – Written Evidence  
FI/D2/03/13/1

PRIVATE PAPER

**Agenda item 2**

PRIVATE PAPER

**Agenda item 3**

Communities Committee Stage Two Report  
FI/D2/03/13/2

Education Committee Stage Two Report  
FI/D2/03/13/3

Enterprise Committee Stage Two Report  
FI/D2/03/13/4

Environment Committee Stage Two Report  
FI/D2/03/13/5

Equal Opportunities Committee Stage Two Report  
FI/D2/03/13/6

Health Committee Stage Two Report  
FI/D2/03/13/7

Justice 1 and 2 Committees Stage Two Report  
FI/D2/03/13/8

Local Government and Transport Committee Stage Two Report  
FI/D2/03/13/9

**Agenda item 4**

Paper by the Clerk  
FI/D2/03/13/10

Paper by the Clerk  
FI/D2/03/13/11
Dear Des

THE BUDGET PROCESS 2005-06

1. As you know, we agreed that this year there would not be an Annual Expenditure Report, since this would be overly presumptive in light of the May elections. Effectively this meant there was no Stage 1 to the Budget Process for 2004-05. I would welcome an early view from the Committee on how this has affected the process, perhaps when we meet on 10 November.

2. I say this because it is worth reflecting on whether we can learn from this truncated process for the forthcoming year. The process next year will of course overlap significantly with the Spending Review 2004. I have been told that last time round the Committee understandably felt that devoting time to considering an AE R published in March before the results of the Spending Review announced in September – which inevitably altered many of the numbers - was not the best use of their time. I think we are also both aware of the more general concerns amongst other Committees about the degree of repetition in the existing process.

3. If we return to the process as ran in 2002 next year, we would publish an AER at the end of March that would give figures for 2005-06 only – we will not at that stage have plans for the forward years. Inevitably, these numbers will be very similar to those given for 2005-06 in the Draft Budget published this September, since the only possible changes would be either any additional allocations we receive in the Pre-Budget Report later this month, or releases from our only central reserves (likely to be relatively small). I have to say I am not convinced that producing an AER of this kind would add greatly to the Committee’s knowledge.

4. We expect to know the results of the UK Spending Review in late June/July, allowing us to determine the overall totals for the Scottish Budget for 2006-07 and 2007-08. Allowing for recess, we would hope to be able to announce the results of our own Spending Review in mid-September – but it will probably not be possible to publish fully detailed Level 3 spending plans much before the October recess. I am aware that last year, this divide between high level plans in Building a Better Scotland in September 2002 and detailed plans in the Draft Budget published in October 2002 did not make Committees’ Stage 2 consideration easy, and I would be happy to discuss with the Committee how we should approach the process for next year.
5. With an election every four years, and a spending review every other year, the budget process as originally intended by FIAG can now only run one year in four. For the other three, Stage 1 in particular has lost much of its value. I would welcome the opportunity to discuss with the Committee how we can reinvigorate the process, mindful of the need to allow time for proper consultation and discussion of the Executive’s future spending plans. I would hope that the Committee would be able to set out its thinking in its Stage 2 Report this December – given that preparations for any AER next year would normally get underway in January.

6. It might help the Committee if I set out my own views on the kind of system we might adopt. I do not think we should change Stage 2 of the process – though I realise it will be difficult in spending review years when the time available for detailed consideration by Committees will be limited.

7. But I think we should radically redesign Stage 1. In election years, I think we should follow the precedent set this year and accept that there will not be a Stage 1 at all. Whilst arguably we might abandon Stage 1 altogether, I think we should instead refocus this part of the process towards a discussion of past performance rather than future spending plans. This would in turn bring the Stage back towards the discussion of strategic priorities it was originally intended to be, by allowing Committees to discuss with the relevant Minister whether targets were the right ones, and where future resources needed to be focussed to ensure delivery.

8. If we do make changes for the forthcoming year, inevitably whatever we publish in place of the Annual Expenditure Report would only be a first attempt which we can refine in discussion with the Committee over following years. A first cut at what we might publish at the end of March 2003 might include:

- a report against the targets published in the Draft Budget 2004-05, which build from the Partnership Agreement (while we would include the latest performance data available, inevitably this could not cover performance to the end of the March 04 financial year); and

- spending plans to Level 3 for 2005-06 as they stand at present. Given the degree of overlap with the most recent Draft Budget, this could perhaps be tables only, with explanatory text only where there have been significant changes to the currently published plans (and I would be happy to discuss with the Committee how we might define “significant” in this context).

These are however only some very early thoughts, and I would very much welcome the Committee’s views.

Yours sincerely

TAVISH SCOTT
Finance Committee
Nature Conservation (Scotland) Bill - Financial Memorandum
Written Submissions

1. In order to assist the Committee in its consideration of the Financial Memorandum of the Nature Conservation (Scotland) Bill, written submissions have been received from the following organisations:

   Scottish Land Court (SLC)
   Crown Office and Procurator Fiscal Service (COPFS)
   Scottish Court Service (SCS)
   Wildlife and Environment Officer
   Advisory Committee on Sites of Special Scientific Interest (ACSSSI)
   Keeper of the Registers of Scotland
   Scottish Natural Heritage (SNH)

2. The Committee is invited to consider these submissions.

Emma Berry
October 2003
SUBMISSION FROM THE SCOTTISH LAND COURT

Thank you very much for your letter of yesterday's date.

I have now had an opportunity to consider the terms of the Financial Memorandum in connection with the above Bill with specific reference to this Court.

I note that it is estimated that the Court may have to deal with between six and ten appeals each year. I regret that I am not in a position to be able to confirm or deny those approximate numbers. Past experience has taught me that a prediction of numbers of cases likely to come before the Court when the Court is given a new jurisdiction can be widely inaccurate. Having said that, the suggested numbers of between six and ten appeals would appear to be reasonable estimate.

On the assumption that the Court does receive between six and ten appeals a year under the Bill and that there is not a significant increase in other aspects of the Court's work then the Court as presently constituted and the staff of the Court would be able to cope with these six to ten appeals without having to take on either a new Member of Court or additional staff.

The only cost implication would be for any travel and subsistence if the Court was required to hear these cases other than here in Edinburgh. These cases would probably be heard at least initially by the Full Court which consists of four people and the total costs for travel and subsistence for the Full Court for a day can be taken somewhere in the region of £500.00 – considerably less than the amount predicted in the Financial Memorandum.

KHR Graham
Principal Clerk
30 October 2003

SUBMISSION FROM THE CROWN OFFICE AND PROCURATOR FISCAL SERVICE (COPFS)

The Crown Office and Procurator Fiscal Service is committed to the effective prosecution of environmental crime. This commitment will naturally extend to the new criminal provisions introduced by the Bill.

Although the Bill does introduce some new criminal offences, its more significant impact is in amending the terms of existing wildlife crimes. We note that the Financial Memorandum makes the assumption that the Bill will have no net effect on the overall number of wildlife prosecutions. Although we consider that the Bill's effect on the number of wildlife prosecutions is difficult to predict and quantify, after careful consideration of all the relevant factors, we are satisfied that this assumption is reasonable in the circumstances. Accordingly, we do not anticipate any significant resource implications arising from the new wildlife provisions.

The Bill also extends criminal offences in relation to damage to SSIs. We do not expect the amendments to have a significant impact on the number of cases reported to us under these provisions, or the number of cases resulting in
prosecution. We are content to accept the assumption set out in the Memorandum that there will be no more than 3 prosecutions per year, a level which will not impact on our ability properly to deal with these cases with resources currently available.

Morag McLaughlin
Head of Policy Group
4 November 2003

SUBMISSION FROM THE SCOTTISH COURT SERVICE

Thank you for your letter of 29 October inviting John Ewing, Chief Executive, to comment on the draft bill.

Mr Ewing is of the view that he has no comments to make at this, as the implications of the bill on Scottish Court Service are marginal.

Patricia Fiddes
PA to the Chief Executive
3 November 2003

SUBMISSION FROM WILDLIFE AND ENVIRONMENT OFFICER

Biodiversity
A considerable proportion of the Nature Conservation (Scotland) Bill relates to improvement of habitat and biodiversity. Currently the police forces have almost no involvement in enforcing this legislation, this being the remit of Scottish Natural Heritage.

It is recognised, however, that there are occasions when it is right that a thorough investigation should be made into certain breaches of this legislation and, if possible, a joint investigation carried out by SNH staff and a police wildlife crime officer. This is already in place in Wales and such a joint approach has been found to be extremely successful in ensuring compliance with the law. In cases where compliance fails and a clear offence has been committed, the police can then investigate the offence in the normal manner and, if evidence is available, submit a report to the procurator fiscal.

This will have very limited impact on policing as such incidents are relatively uncommon. An approach as described as above, where a joint SNH/police approach is made in anticipation of a problem, should also reduce the risk of offences against habitat and biodiversity taking place.

In context, police involvement – and associated financial implications – would be low priority and normally non-urgent. This should mostly allow a police response when a resource becomes available rather than diverting a police officer from other more urgent duties.

Species Protection and Wildlife Crime
This is an area of crime which, until relatively recently, has just been paid lip service by the police service. There are now 80 specially trained wildlife crime officers in Scotland either investigating or assisting their non-specialised colleagues to investigate complaints of wildlife crime. Equally importantly, whenever they can, these officers become involved in educational and preventive measures to reduce the incidence of crimes against wildlife.

Of the 80 wildlife crime officers all except two carry out this role in addition to their general police duties. Only a very small proportion of their normal shift-work relates to wildlife crime. The two full time persons are in a civilian role, minimising financial impact to their respective forces – Tayside and Strathclyde Police. It is also important to stress that overtime is seldom paid to these officers: the work is either carried out for time off on another date or without any form of remuneration. There is no other aspect of policing where this applies and this is solely due to the dedication of these officers.

The proposals contained in the Bill will clarify and simplify some of the current offences, and make some new offences. Because some of the offences will be slightly easier to prove – for example a reckless act instead of an intentional act – it may be that several more cases will be reported to the procurator fiscal than at present. Nevertheless the main objective of wildlife crime officers is to ensuring compliance with the law so hopefully any increase in prosecutions – if indeed this does occur -will only be short-term. It is not envisaged that the enforcement of the proposed legislation will involve much more time, or financial implications, than at present.

Training of Wildlife Crime Officers

Training of wildlife crime officers takes the following forms:

- **February** – Wildlife Crime Conference at the Scottish Police College. This one-day conference is a chance for wildlife crime officers to meet persons from other relevant organisations involved to some degree in wildlife crime issues. The cost is shared amongst the 8 Scottish police forces and MOD Police. It is subsidised by the Scottish Police College.
- **September** – Continuous Profession Development Seminar on Wildlife Crime Investigation. Delegates to this one-day seminar are wildlife crime officers, middle police management and procurators fiscal. Cost borne by the Scottish Police College.
- **December** – Two-day Continuous Professional Development Seminar on Wildlife Crime Investigation. This is currently an elementary course for wildlife crime officers. It will become an advanced course after all officers have received elementary training. Cost borne by the Scottish Police College.
- **Training CD Rom** – An interactive, illustrated CD Rom is being produced by Tayside Police for the training of all police officers in Scotland on wildlife crime and poaching issues. It will be completed by early January, be linked to the Police Information Network System (PINS) and available to most police officers on their desk-top computer. It will also be made available to other agencies with an investigative role. Cost borne by Scottish Executive.
Training in legislative changes resulting from the Bill will be in-built to current training, including regular updates of the CD Rom. There will be no extra cost because of the Bill.

Alan Stewart
Wildlife and Environment Officer, Tayside Police
5 November 2003

SUBMISSION FROM THE ADVISORY COMMITTEE ON SITES OF SPECIAL SCIENTIFIC INTEREST (ACSSSI)

Introduction
1. The Advisory Committee on Sites of Special Scientific Interest (ACSSSI) welcomes the opportunity provided by the Finance Committee to comment on the financial implications of the Nature Conservation (Scotland) Bill.

2. The role of the ACSSSI is an issue that is directly addressed by the Nature Conservation (Scotland) Bill (Section 21, and Schedule 1, paragraphs 10 & 11). The Bill will act to influence the workload of the Committee, but it is difficult at this stage to be precise about the financial implications of this. Nevertheless the ACSSSI hopes that the following points will help the Finance Committee in its consideration of the financial implications of the Bill.

Potential sources of increases to the workload of the Committee
3. The range of occasions on which ACSSSI might be asked to comment will increase under the new Bill; in addition to commenting on new sites, and sites where there remain extant objections after a period of 10 years (as now), the committee may also be asked to provide advice for extensions to existing sites and denotification of sites. As an adviser to Scottish Natural Heritage (SNH), the ACSSSI does not know how many sites may be extended or denotified in the future. SNH may be able to comment on this point.

4. The Bill appears to increase the pool of individuals/organisations able to trigger a referral to the ACSSSI. Currently only scientific objections raised by landowners and occupiers are referred to the Committee; objections from local authorities, community councils etc. are not referred. This would change under the Bill. ACSSSI is not in a position to know the number of occasions in the past where the only scientific objections to a site have been raised by bodies other than land owners/occupiers. SNH may be better placed to comment on this.

Potential sources of decreases to the workload of the Committee
5. It is difficult to predict the number of cases related to new designations that might be referred to ACSSSI in a year. The Table below shows the number of cases that have been referred to the ACSSSI over the last eight calendar years (1996 to date). This includes objections to new sites, and objections raised to sites after a period of ten years. The majority of objections have been to new sites. Over the past few years the SSSI programme has been driven by the need to underpin Natura sites with SSSIs. ACSSSI understands that the series of European sites is substantially complete, and that there are unlikely to be
many, if any new sites notified in the near future. This would reduce the workload for the Committee. However, this is a point upon which SNH is better qualified to comment.

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*Numbers to October 2003

6. The new Bill allows for SNH not to refer cases to the ACSSSI where an objection is considered to be “frivolous”. Whilst in principle this is to be welcomed, the ACSSSI is not aware that it has been asked to consider any “frivolous” objections to date, and hence it is unlikely to have a substantive impact upon the workload of the Committee.

Remaining uncertainties about the implications of the Bill for the workload of the Committee

Aspects of the notification upon which ACSSSI can comment

7. The ACSSSI currently provides advice in respect of the scientific case underpinning selection of a site. It does not provide comments on the list of potentially damaging operations (PDOs) identified for a site, although many landowners and occupiers do raise scientific arguments in connection with these PDOs. Based on the Explanatory Notes produced to accompany the Bill (paragraphs 40 and 103), it would appear that the intention is that the ACSSSI’s role will remain limited to consideration of the reasons for designation, and not the scientific justification of the accompanying list of operations requiring consent (orcs) or Site Management Statements. In its advice to the Environment and Rural Development Committee, the ACSSSI suggests that there is logic in enabling it to comment on the scientific aspects of orcs and Site Management Statements. If this is permitted under the new legislation it is not clear whether this would increase the number of referrals to the ACSSSI. SNH would be in a better position to comment on the number of objections it has received to SSSI notification based purely upon the PDO list.

Inter-relationship with the Land Court

8. Where a landowner or occupier makes an application to carry out an orc that is refused by SNH, the objection can be referred to the Land Court. It is not yet clear whether the ACSSSI may have a role as potential witness for such referrals. Such a situation may arise, for example, where there has been an objection to the scientific case for notification of a site, particularly if ACSSSI’s advice is different to the position taken by SNH at the time a site is confirmed.

Conclusions

9. In summary, it is difficult for the ACSSSI to be definitive about the financial implications of the new Bill. Whilst there will be an increase in the number of organisations which can trigger a referral to the Committee, and the range of occasions on which the Committee’s advice might be sought, this is likely to be counter-balanced by a reduced programme of designation. The main area of
uncertainty relates to the degree to which the ACSSSI may be asked to act as a witness at hearings held by the Land Court.

Sue Bell
Secretary
5 November 2003

SUBMISSION FROM THE KEEPER OF THE REGISTERS OF SCOTLAND

Thank you for your letter of 29 October seeking views on the cost implications of the proposed transfer of registration of SSSIs to Registers of Scotland and the proposal to make regulations allowing for fees to be charged in certain circumstances.

As Committee members may be aware, the Keeper of the Registers of Scotland is currently responsible for maintaining 15 public registers, principally in connection with land and property. His functions are performed by Registers of Scotland Executive Agency (RoS), which is an Agency of Scottish Executive Justice Department. RoS is financially self sufficient under arrangements analogous to a trading fund.

To comply with his duties, the Keeper requires to recover the full economic cost of setting up and maintaining the register, although not necessarily through the medium of fees payable by the public. A tripartite steering group amongst Scottish Executive Environment and Rural Affairs Department, SNH and RoS has been established to work out the details of the new register and to plan implementation. One of the tasks for this group is to consider funding. As the intention is that cost recovery – but no more - will be achieved, the Bill will be financially neutral for the Keeper.

Consideration of the costs of setting up and maintaining the new register is still at a very early stage. However, it is anticipated that the capital costs of establishing the register (i.e. setting up IT delivery, business specification, etc. and back conversion activity to convert required information from existing registers) will be provided to the Keeper from within government. At this stage it is not possible to put any figures to the costs. However the tasks of setting up a new computerised register and entering the existing SSSIs are not thought to be particularly onerous.

Running costs have also yet to be considered in detail. However, the main elements of running costs will essentially be in keeping the register open to the public (this will likely be achieved by making the register accessible over the internet) and registering new SSSIs as and when these are created. There are of course costs involved in running the current SSSI registration and information provision procedures but at this stage insufficient work has been carried out on the details of the new register to allow comparison. The Keeper’s main concern in reaching agreement over the funding of running costs will be to ensure that the SSSI register’s costs are covered. Cross-subsidisation between this register and the other registers in the Keeper’s portfolio is not possible under the terms of the Land Registers (Scotland) Act 1868 and Fees Order made thereunder.

Occasionally members of the public and their advisers may have a need for copies or authenticated extracts of entries from the register. This is addressed by Section
22(2)(b) and (c) which proceed on the expectation that this service would be charged to the party seeking the copy or extract on the same basis as applies to other registers under the Keeper’s control. The current main fees for copies are £0.50 per page of text, £2.00 per black and white A4 sized plan, and a handling charge of £6.00. VAT is payable on these amounts. The fees for extracts are the same subject to an additional charge of £4.00 for authentication. These fees, which are prescribed by the Fees in the Registers of Scotland Order 1995, are set so as to recover the actual cost of the activities of providing extracts and copies. Fees charged under subsection 2(b) and (c) would therefore only cover the cost of the particular service being given and not otherwise contribute to the operational costs of the register.

I hope these comments are helpful.

John Glover
_for Keeper of the Registers of Scotland_
5 November 2003

SUBMISSION FROM SCOTTISH NATURAL HERITAGE (SNH)

Introduction
Scottish Natural Heritage is a Non-Departmental Public Body established under the Natural Heritage (Scotland) Act 1991 to promote the care and improvement of the natural heritage, its responsible enjoyment and appreciation by the public, and its sustainable use. Much of SNH’s work is achieved in partnership with others: local councils, other statutory agencies, communities and the voluntary sector.

The Nature Conservation (Scotland) Bill concerns a substantial part of SNH’s remit. Of our total spend of circa £50 million for 2002/03, 36% is directly attributable to biodiversity and geological diversity, including our work relating to SSSIs, species protection and wildlife crime. A further 24% can be partly attributed to biodiversity, for example our work on National Parks and support for Ranger Services. These figures do not include the (administrative) support services without which these functions could not be delivered.

SNH is highly supportive of the Bill which, as it stands, will deliver the legislative provisions required to achieve the Executive’s policy agenda for nature conservation as set out in the Nature of Scotland. As the Bill will largely be adapting existing systems it can be difficult to differentiate between what is strictly additional work and what is simply a re-direction of what we do already. The cost estimates in this submission are based on the entirely new work we have identified as arising from the Bill. While we believe that we can re-allocate the resources necessary to deliver what the Bill appears to require of SNH, without additional resources the cost will be borne through a reduction in other areas of our work.

Biodiversity
Delivering the conservation of biodiversity is part of SNH’s core business. We do not envisage that the duty _per se_ will result in significant additional costs for SNH. The additional work which is likely to arise, such as an increased requirement to provide expert advice to other public bodies, particularly local authorities, can be absorbed within existing capacity.
Delivery of the duty will be closely linked to the implementation of the Scottish Biodiversity Strategy and, as the action plans are currently being developed, the full implications of this are not possible to identify at present. There may be additional demands upon SNH to work with other bodies, e.g. in supporting specific new initiatives through funding support, involvement in partnerships etc. In the long term, however, as all public bodies take on board the duty to further the conservation of biodiversity, develop their own expertise in applying this in delivering their functions, and integrate biodiversity objectives into their work, demands upon SNH should decrease.

For public bodies to deliver the duty there will need to be a better sharing of biodiversity information. SNH's programme for the mobilisation and delivery of our own natural heritage data to make it more widely available via the internet will contribute to this. SNH is by no means the sole holder of such information and we promote the wider sharing (and gathering) of biodiversity data through our support for the National Biodiversity Network and Local Records Centres. We hope that the biodiversity duty will lead to a greater support for these networks from all public bodies.

SSSI System
The changes to the SSSI system proposed in the Bill will enable SNH to develop and operate a more flexible system with much greater tailoring to particular circumstances. In order to make the most of this opportunity to further develop constructive relationships with owners and occupiers we intend maintaining a higher level of contact with those who actually manage SSSI land. While this will inevitably lead to an increase in costs we see it as a more efficient approach (both in terms of costs and PR) than having to deal with the casework, appeals etc. that could arise if we don’t.

The proposed changes to notification procedures will make the system more open to a wider range of interested parties. This will involve greater effort on the part of SNH but we have been developing the proposed approach in recent years and by and large have adopted most of what is proposed into our working practice. This, together with the fact that we do not envisage a large number of new notifications in coming years, means there should not be significant additional costs associated with the provisions but, crucially, this relies on SNH not being required to re-notify existing SSSIs.

SNH will need to develop procedures and guidance to administer the new provisions introduced by sections 5 – 22 of the Bill. We will also need to adapt our business systems to accommodate them, train staff in the new procedures and make owners and occupiers and other affected bodies aware of them. This work is being programmed into our forward work programmes for the remainder of FY 2003/4 and FY 2004/5 on the basis of what is in the Bill as introduced.

Hence for the period up to 31st March 2005 we envisage a small increase in our spend on administering the SSSI system amounting to £146,000 to cover the additional cost to SNH of developing new procedures for carrying out these provisions and adapting our business systems accordingly. The figure also includes
the cost of formally informing all SSSI owner and occupiers of the implications of the new Act on existing arrangements. It does not include estimates of the cost of training staff nor of the cost of new publications as these are already covered in the Financial Memorandum.

Once the Bill is enacted we envisage the most onerous implication for SNH arising out of the provision to review Operations Requiring Consent. We see this as fundamental to delivery of the new system for nature conservation for which the Bill delivers the necessary legislative framework. We plan to review the lists of Operations Requiring Consent for all 1451 SSSIs in consultation with an estimated 10,000 owners and occupiers during the six year period between 1st April 2005 and 31st March 2011. We estimate that this will cost in the order of £300,000 pa for each of the 6 years. In the long term this initial investment should create a system which is more acceptable to owners and occupiers and less costly to administer.

The extension of Nature Conservation Orders to cover the activities of third parties, and the creation of the power to make Land Management Orders, will strengthen the powers of last resort which underpin the SSSI system. As SNH will always try to secure site safeguard through the voluntary approach we envisage these powers being used only in exceptional circumstances. For example, only 24 Nature Conservation Orders have been made since 1981. The cost of making these varied greatly depending on the individual circumstances of each order. Costs will have been lowest where there were no objections and so there was no need for a hearing or a public local inquiry. Where there were objections, the costs will have been higher, ranging from the situation where only a hearing was held (3 cases), to the most expensive where a full-blown public inquiry was held (7 cases) and where NCC/SNH would have required legal representation, in some cases by Queen's Counsel. It is not possible to estimate with accuracy how many cases are likely to arise under the new provisions nor the cost of them, but assuming an average of one per year the cost to SNH would not constitute significant new expenditure.

Species protection and wildlife crime measures
SNH’s work in relation to wildlife crime is largely progressed through the Partnership Against Wildlife Crime (PAW), which we support through grant aid and staff time. Except for the cost of revising and reprinting *Wildlife Law and You*, which is already covered in the Financial Memorandum, we do not envisage any additional costs arising directly from the new provisions in the Bill. While the inclusion of recklessness and the closing of loopholes could lead to a greater number of prosecutions, we envisage that these would be taken forward by the police. SNH may need to support the Police through provision of advice and expert witnesses as required, but this is unlikely to create significant new costs.

Scottish Natural Heritage
5 November 2003
SUBMISSION FROM COSLA

INTRODUCTION
The Convention of Scottish Local Authorities welcomes the opportunity to comment on the financial impact of the Nature Conservation (Scotland) Bill on local authorities. In responding to the Finance Committee's request for comments COSLA has attempted, in the short time provided, to expand on the points that have been made in previous submissions, both to the Scottish Executive on the Draft Bill and, recently to the Environment and Rural Development Committee on the published Bill. Copies of these submissions have been attached for the benefit of the Finance Committee.

NATURE CONSERVATION (SCOTLAND) BILL: FINANCIAL IMPACT ON SCOTTISH LOCAL AUTHORITIES
The financial memorandum published with the Nature Conservation (Scotland) Bill states that for local authorities and public bodies, the introduction of a general biodiversity duty in Part 1 of the Bill will be cost-neutral, except for start-up costs estimated to total around £9,500 for each public body. This figure is based on the writing, approval and publishing of a policy statement detailing the organisation’s steps in complying with the duty. The memorandum does not specify in detail the resource implications for local authorities for Parts 2 and 3 of the Bill, the reform of regulations governing SSSIs and wildlife protection respectively.

COSLA believes that it will in be Part 1 of the Bill, the introduction of a general biodiversity duty that will have the greatest implications for local authorities. For the purpose of this submission COSLA will concentrate on this part of the Bill. As COSLA indicated in the evidence to the Environment and Rural Development Committee, the impact of this duty on local authority resources cannot be fully known or quantified until the detail of the Scottish Biodiversity Strategy is revealed. The Scottish Biodiversity Strategy underpins the entire Bill and its absence at this crucial consultation stage does create a difficulty for COSLA in assessing the Bill’s full financial impact. Despite the absence of the Scottish Biodiversity Strategy COSLA can provide the Committee with a general indication on the likely short and long-term financial implications of implementing the duty. In doing so COSLA arrives at a position that does not fully agree with the Bill’s financial memorandum.

Local authorities have been working for some time to develop and implement Local Biodiversity Action Plans (LBAP). Currently the LBAPs are supported by funding from a variety of sources including local authorities, landfill tax credit, Scottish Natural Heritage and other partner bodies. LBAP officer posts are funded in a similar way and are predominately fixed term appointments. It is COSLA’s belief that while such officers are vital to the LBAP process they are not in a position to influence council policy to the degree that is required by the biodiversity duty. In order to achieve the stated aims of the duty the road map for its implementation must be clear and realistic to local authority leaders. COSLA believes that the best way to accomplish this is to provide a network of support for local authorities and other relevant public bodies that can exchange information and provide practical guidance to developing policy to reflect the recommendations made in the Scottish Biodiversity Strategy.

It is COSLA’s view that this support structure is necessary to provide the level of advice that senior local authority decision makers will require. Investment in such a structure will be a cost effective way of supporting the Biodiversity Strategy. COSLA would wish to work with The Scottish Executive, SNH, SEPA and the other partners who will support the implementation of the Scottish Biodiversity Strategy, to develop an appropriate cost...
effective support structure. The costs of this can only be quantified once we have sat down with the Scottish Executive and other interested bodies, to work through the all the practical issues. In addition this joint working exercise may result in lower cost for all organisations in the long term.

COSLA believes that work to implement the general biodiversity duty naturally builds on the continuing work of LBAP officers. Although the general biodiversity duty will require councils to take an active and corporate role in ‘furthering biodiversity’, we believe the work already completed with the LBAP process will lessen the resource implications. To give the Committee an indication of what we think the costs might be, we believe that the responsibilities placed on local authorities by the Bill will require councils to be fully funded to employ permanent biodiversity officers. Such officers can coordinate and share information effectively with other agencies, while also managing local projects that stem from the local authority’s implementation plan. Permanent officers will be the lynchpin in councils implementation process, influencing policy through coordination with senior management in a way that is not readily achievable at present with LBAP officers, despite their best efforts. At this stage we are unable to fully quantify the amount of money required to fund these proposed local authority positions; however, COSLA is happy to work with the Scottish Executive on this matter.

It is COSLA’s view that the financial memorandum underestimates the resource implication for local authorities on implementing the duty. To fully realise the aim of the duty local authorities will have to find funding and allocate staff time to a greater extent than estimated in the memorandum. COSLA does agree that over the longer term costs will balance out as biodiversity is integrated with council policy. This neutralisation of costs only applies to biodiversity project funding and will not include the extra funds required to provide council’s input to the proposed support network, nor the employment of permanent local authority biodiversity officers.

It is not currently possible due to the absence of the Scottish Biodiversity Strategy to quantify exactly the extra funds that will be required. The financial implications of contributing to a support network, and the number of staff required to oversee the changes required will only be known once local authorities have had time to analyse the impact of the Strategy. However, as stated above, we are keen to work in partnership with the Scottish Executive and other to quantify most costs effectively at an early date.

Finally, no start-up costs for local authorities are presented in the memorandum for Parts 2 and 3; however, the Committee will be aware that local authorities are important land managers who will have to familiarise staff with the new regulations. This will require training courses that have yet to be costed.

James Fowlie,  Robert Nicol
Policy Manager  Policy officer
6 November 2003
SUBMISSION FROM THE LAW SOCIETY OF SCOTLAND

Dear Ms Duffy

Criminal Procedure (Amendment) (Scotland) Bill

Thank you for your letter of 14 October seeking the views of the Society in relation to the Criminal Procedure (Amendment) (Scotland) Bill. The Society’s Criminal Law Committee (“the Committee”) welcomes the opportunity of commenting on the financial implications of implementation of the Bill as currently drafted and has the following comments to offer:-

The Bill makes provision for a number of measures which are designed to improve the efficiency and effectiveness of the High Court of Justiciary. The financial memorandum makes it clear that the introduction of preliminary hearings in High Court cases and the provision for pre-trial meetings between the prosecution and defence will have resource implications for the Scottish Court Service, the Crown Office and Procurator Fiscal Service (“COPFS”) and the legal aid fund. Information in relation to the anticipated level of additional resources and details of the estimated increase in expenditure has been provided by the Scottish Executive and these other departments, both in the financial memorandum and in written evidence to the Finance Committee. It is noted that most of the costs identified are expected to be offset after an initial two year period by increased efficiency and a reduction in the number of adjourned cases.

In the Committee’s view, there are a number of factors which will be important in assessing the cost of implementing these proposals.

1. **Early disclosure of information.**

The Committee believes that much will depend on whether the principle of early disclosure, as originally canvassed by Lord Bonomy¹, is introduced in legislation. The adoption of a system of timetabled disclosure to the defence of Crown statements and productions could have considerable benefits and potentially result in savings to the public purse from a variety of sources, such as time saved by witnesses (for example, police officers, forensic scientists, doctors and other witnesses) who may not require to be precognosced.

Although the Bill makes provision for a pre-trial meeting, it does not oblige early disclosure by the COPFS. The Policy Memorandum indicates that the proposals contained in the Bill are inter-dependent and that removing one element of the proposals would considerably weaken the Bill as a whole. The inclusion of the reference to the principle of early disclosure would, in the Committee’s view, strengthen the Bill and assist in improving the efficiency and cost effectiveness of High Court proceedings.

¹ At Recommendation 2
2. The Impact of Implementation of Section 13(1) of the Crime and Punishment (Scotland) Act 1997

The financial memorandum correctly identifies that account must be taken of the impact of the proposed implementation of section 13(1) of the Crime and Punishment (Scotland) Act 1997. This will increase the sentencing power of a sheriff sitting with a jury from three to five years and would enable an estimated 20% of cases currently dealt with in the High Court to be dealt with in the Sheriff Court.

Whilst this change alone may reduce the theoretical workload of the High Court, consideration should also be given to the effect that this will have from a financial perspective on the sheriff courts throughout Scotland. It may be that the burden of dispersed cases from the High Court will fall on those courts which are already busy. The impact of the increased level of business on the administration and resources of the sheriff courts should, therefore, be monitored closely over the initial two year period so that the cost of disposing of solemn cases can be considered in a comprehensive manner.

3. Legal Aid

The Committee would question whether the legal aid costs in the financial memorandum have been calculated on the basis of current rates payable under criminal legal aid. Lord Bonomy recommended in his report that the rates payable to lawyers for criminal legal aid work should be the subject of general review in the context of determining rates for the additional or different elements of work proposed. When looking at the cost of implementation of these legislative proposals, this may have a bearing on the estimated expenditure for the legal aid budget.

I hope that these comments are of some assistance and should you require any further clarification, please do not hesitate to contact me.

Yours sincerely

Mrs Anne Keenan
Depute Director

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2 Depending on Crown Office policy.
3 At Recommendation 17(b)
The Communities Committee reports to the Finance Committee as follows—

Introduction

1. The Scottish Executive announced its spending proposals for 2004-5 on 11 September 2003 in the Draft Budget 2004-5. The Committee recognises that the budget process has been truncated this year due to the Scottish general election. However, the Committee is concerned about the limited time available for its stage 2 consideration of the budget and wishes to note that its scrutiny of the budget this year has been significantly reduced. This report is, therefore, based on limited oral and written evidence.

2. The Communities Committee considered stage 2 of the 2004/05 budget process at its meetings on 17 September 2003, 1 and 8 October 2003 and 5 November 2003.

3. At its meeting on 1 October the Committee heard oral evidence from the Chartered Institute of Housing in Scotland (CIHS), Shelter Scotland, Scottish Council for Voluntary Organisations (SCVO) and Dr Robert Rogerson, University of Strathclyde. The Committee also heard oral evidence from the Minister for Communities at its meeting on 8 October 2003.

4. The Committee received written evidence from Shelter Scotland, CIHS and Dr Rogerson (see Annex A).

5. The Committee wishes to thank all those organisations which gave evidence to the Committee. Further, the Committee wishes to thank SPICe and Professor Arthur Midwinter, the Standing Adviser to the Finance Committee, for their work in supporting the Committee in its scrutiny of the budget.

General

6. The Committee noted that the Communities budget will increase in real terms by £25.67 million, from £832.62 million in 2003-04 to £858.29 million in 2004-05¹, which is an increase in real terms of 3.08%. The figures also demonstrate that whilst the Communities budget is increasing year on year, in the period

¹ Scottish Executive(2003) 'Draft Budget' p3
from 2003-04 to 2004-05 the proportion of the overall Executive budget is falling from 3.66% in 2003-04 to 3.52% in 2005-06.

7. The Communities Committee wishes to seek clarification from the Minister as to why, if Communities has been and continues to be a stated priority area for the Executive, the Communities budget appears to be decreasing as a proportion of the Executive’s overall budget.

8. In the Executive’s Draft Budget for 2003-04 the Communities Portfolio was scheduled to increase from £839m in 2003-04 to £921m in 2004-05 to £945m in 2005-06\(^2\). However in this year’s document the figures are £832.62m in 2003-04, £879.75m in 2004-05 and £903.75 in 2005-06. The Committee therefore wishes to clarify whether there is a reduction in the Communities budget as a whole, or whether these changes are due to accounting changes via the implementation of Resource Accounting and Budgeting (RAB) and/or the result of the cross-cutting nature of many of the department’s policies.

9. If the changes and apparent reduction in the Communities budget are due to the cross-cutting nature of some policies the Committee wishes to recommend that in future any changes of this nature are highlighted in footnotes and fully explained in the narrative of the Communities chapter of the Draft Budget.

Regenerating Our Communities

10. The Committee notes that that the biggest decrease in the Communities budget is in the level 2 heading, Regenerating Our Communities. This heading falls from 27.9% in 2003-04 to 23.0% in 2005-06. Within this figure at level 3 the significant decrease is in the Community Ownership line, which drops from £101.96m in 2003-04 to £62.56m in 2005-06. The Committee understands this is mainly due to the stock transfers of council housing to community ownership.

11. In evidence from the Minister for Communities on 8 October the Minister stated that:

   The community ownership budget is decreasing because of the Glasgow stock transfer. I believe that the breakage costs came out of that budget because the Treasury picked them up, although we had planned for them. A number of initiatives for Glasgow, such as central heating, were in the community ownership budget, but are no longer part of that budget. I believe that the money that was allocated to that budget is now going into Communities Scotland.\(^3\)

12. While the Committee notes the Minister’s explanation for the decrease in the Community Ownership budget line, the Committee wishes to invite the Executive to clarify H.M. Treasury’s responsibilities for the breakage costs of housing stock transfers.

13. The budget line for Social Inclusion Partnerships (SIPs) is set to remain static at £68.7m until 2005-06. The explanation given by the Minister for


\(^3\) Official Report, 8 October, Col 143
Communities is that the funding for SIPs has been disaggregated, with the line for Community Engagement being specifically targeted at SIPs to ensure that:

community representatives are involved and that there is sophisticated community engagement, which takes different forms in different places.....We have just budgeted for that task differently, mainly because I did not want the community engagement budget to be eaten up by being in the general SIP budget. I wanted to ensure that community engagement was funded separately so that it could happen. Providing a separate budget for community engagement was my way of making that happen.

14. In last year’s Draft Budget there was a line under Regenerating Our Communities entitled ‘Empowering Communities Programme’ for £5.2m until 2005-06. The Committee wishes to invite the Executive to explain why this budget line has been removed and whether this, and the line for Community Engagement in the Draft Budget 2004-05, are to be used for the same purpose.

15. The Committee also notes that 4 other level 3 headings under Regenerating Our Communities appear to have changed from last years budget and wishes to invite the Executive to clarify the reasons for these changes and identify where there are differences in the allocation of funding under these headings.

Homelessness

16. The Committee was interested in whether the budget line for the ‘Implementation of Homelessness Task Force recommendations’ would be sufficient given that it goes down in real terms from 2003-04 to 2005-06. The Minister replied that:

The budget lines are about implementing the task force’s recommendations but there are other ways of making sure that we address the wider issue of homelessness, particularly through the re-provisioning of Glasgow’s hostels, which will receive a significant increase. Another such measure is the prudential regime for local authorities, which will mean that they have greater resources at their disposal to meet their commitments.

17. The Committee wishes to clarify whether local authorities may need to borrow under the prudential regime to address the wider issue of homelessness in Scotland.

Affordable Housing

18. Target 1 in the Draft Budget 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.

Furthermore, in the Statement of Priorities for 2004-05 it states that resources will be focussed on:

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4 Official Report, 8 October, Col 147
5 Official Report, 8 October, Col 145
Improving the quality and supply of affordable housing by introducing the new Scottish Social Housing Standard and approving 5,350 new and improved houses for social rent and low cost home ownership.  

19. In its Stage 2 report on the 2003-04 budget process the Social Justice Committee requested a breakdown of this figure from 2002-03 to 2005-06, and how many of these will be new houses. No response appears to have been received and the Committee wishes to invite the Executive to provide a breakdown of the 5,350 new and improved homes including how many would be available for social rent, and how many for low cost home ownership.

20. The Committee received evidence from the Chartered Institute of Housing in Scotland (CIHS) and Shelter regarding the level of need for affordable housing. At the Committee’s meeting on 1 October Shirley-Anne Sommerville from CIHS said:

We do not know the need, but we suggest that 18,000 new and improved homes will not be enough…..All that we can examine is statistics that we can gather from various Executive sources to prove that a problem exists.

Gavin Corbett from Shelter suggested that:

from next year, local authorities strategies should come up with some detailed information at a local level. That should fill some of the gaps.

21. The Committee wishes to welcome the likelihood of an improved evidence base as a result of Local Authority housing strategies and the evidence from Communities Scotland which stated that:

Although we will receive improved evidence on national need, we must be alert to the existence of local hot spots….It is very much a joint exercise that involves local authorities assessing local needs and seeking to address them.

22. The Committee heard evidence from Communities Scotland that:

Over the years, both as Communities Scotland and Scottish Homes, we have consistently achieved the output targets that have been set by ministers.

23. The Committee wishes to recommend that these outturn figures are included in the budget documents to ensure Members have the opportunity to establish whether previous targets have been achieved.

Anti-social behaviour

24. In December the Minister announced plans for an additional £20m to be used for the introduction of Community Wardens. The Committee wishes to invite

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8 Scottish Parliament Finance Committee’s 7th Report 2002
9 Official Report, 1 October, Col 93
10 Official Report, 1 October, Col 94
11 Official Report, 8 October, Col 140
12 Ibid.
13 Scottish Executive Press Release 17 December 2002
the Executive to clarify whether this money is part of the new resources of £30m over two years to establish a network of community wardens and to support other community initiatives. The Committee would also welcome a total breakdown of how much new money has been allocated to support the implementation of the Executive’s anti-social behaviour strategy.

End Year Flexibility (EYF)

25. The Draft Budget identifies EYF monies of £24.8m to allocated to the Communities Portfolio in 2004-05. The Committee wishes to invite the Minister to identify the timescale for allocation of the additional funds and to keep the Committee informed of the allocation of these monies.

Conclusion

26. The Committee invites the Scottish Executive to respond to the issues raised in this report.
The Committee reports to the Finance Committee as follows—

Introduction

1. The absence of a chance to examine the Annual Expenditure Report this spring (owing to the election) has made the task of effectively scrutinising likely education spending in the coming financial year even more difficult than normal. The committee has not had the opportunity to give full consideration to the Executive’s targets and policy priorities.

2. The committee’s main aim in this report is to make observations on general trends in the education budget, and comment on intended spending in a limited number of areas. We also seek to make some constructive points on improvements in presentational matters, in the hope that these will be taken up by the Executive in future budgetary cycles. It is important to try to sort these presentational matters out as early as possible, so that we can carry out effective scrutiny throughout this session.

3. The committee has noted the shortlist of key questions posed by the Finance Committee’s standing adviser, consideration of which has helped inform our report.

4. Tracing funding assigned to local authorities in grant-aided expenditure (GAE) and tracking trends in GAE is obviously problematic, though not of course a new problem. The committee agrees that money given to local authorities should not normally be ring-fenced, as it should generally be up to local authorities to take spending decisions at the front line. However, given that around nine out of every ten pounds spent on education will be GAE money, it is imperative that we do not simply sit out of scrutiny of how GAE is spent. The committee is grateful to the Executive for providing further information on its methodology for distributing GAE to local authorities. Over the remainder of this session, we propose to open up a dialogue with the Executive, and also with local authorities themselves, as to how objectives and targets set out in the Executive’s spending plans can be monitored and met when spending is at the discretion of local authorities and not central government.
5. Tracing trends generally is a problem, as there has been an almost constant change in Executive accounting methods used in recent years, combined with a certain fluidity of departmental boundaries. Research may be necessary to trace longer-term trends in education spending, to relate these to outcomes, and to use this knowledge to inform future spending choices in education policy. The committee looks forward to co-operating with the Executive on obtaining this information during this session. It would be helpful if the Executive could clarify with the Committee what research work it is currently undertaking, or intends to take in the near future, on education spending trends.

General presentational issues

6. Although the clarity of the draft budget has improved over the years, some presentational matters still give cause for concern.

7. The primary purpose of the draft budget is to tell Parliament and the public what the Executive proposes to spend money on. This means that the budget tables, which dispassionately set out core data on what is being spent over the next three years, should be at the centrepiece of budgetary consideration.

8. However, because the tables themselves, as currently presented, do not contain an adequacy of detail and specificity the Executive has provided additional information throughout each chapter on departmental aims, values, projects, etc, in the form of Objectives, Targets, Milestones, Timelines, Portfolio Priorities, Cross-Cutting Issues (of which there are three), Strategic Priorities, and Statements of Priorities. It is not always clear how all these different categories interact and differ from each other, nor what the underlying rationale for presenting information in this way is.

9. The committee is grateful to the Executive for providing information additional to that found in the tables, in whatever format it appears. We accept that some of the information now provided by the Executive may do so as a result of suggestions made by Parliamentary committees in earlier cycles of the budget process. However we do consider that there is a need first to rationalise the myriad formats in which relevant or possibly relevant information is presented, and secondly to relate such information more directly to the tables themselves. This might involve going back to first principles and asking first what the committee, or the general reader, would want to know, and then how budgetary documentation, and particularly the tables, could be presented to best convey that information. Some basic assumptions, presumably of long-standing, as to how budget tables are presented and broken down, might need to be re-examined.

10. If the Executive were able to provide a greater breakdown at or below level 3 of what specific schemes, offices, projects, etc it is funding, then much of the uncosted and non-cross-referenced information currently found elsewhere in the chapter would become superfluous. In other words, the committee is not asking the Executive to make the draft budget longer, but rather to be more specific about what matters table headings actually cover,
either by adding more detail to the tables or by clearly cross-referencing table headings to additional information found in the draft budget.

11. Two examples of where the budget could be improved on presentational matters are Gaelic-medium education and the schools budget. Any layperson wishing to know how much money is being spent on Gaelic-medium education might suppose that this information would be found in the draft budget – which appears to be the case, as there is a heading in the specific grant table called Gaelic in Education. However, through questioning the Minister, the committee ascertained that the sum of money referred to under that heading does not set out the total spend on Gaelic-medium education, which is significantly higher. In fairness to the Executive, it has attempted to clarify matters in the draft by referring (earlier, in the Equality section) to a sum of £3.5m as being the total spend on Gaelic-medium education. But the document does not explain, for instance, how this amount relates to the lesser amount in the specific grant table, nor whether this is the total departmental spend or the total Executive spend.¹

12. Nor is the rationale for putting reference to this £3.5m figure in the Equality section clear – why not in the Objectives and Targets or Statement of Priorities sections? This points to the need to rationalise and if necessary to pare down the formats used to convey information additional to that found in the tables, and to relate that information more clearly to the tables. More fundamentally, the Executive might wish to consider reconfiguring the tables themselves so that, for instance, the total spend on Gaelic-medium education becomes a heading in the tables. How wedded is the Executive to existing headings in the budget tables? Could they be improved to make it clearer where the money goes?²

13. As regards schools, the committee noticed that the spend for 2005-06 dipped markedly and inexplicably. In spoken evidence, the Minister explained that this discrepancy was a consequence of the prudential borrowing regime. Whilst it was helpful to have this clarification, the committee is concerned that budgetary discrepancies are not always picked up on and clearly explained in the draft budget. We are not suggesting that such information is being deliberately withheld, and in fairness the Executive has explained one or two other apparent discrepancies, such as the decline in the Qualifications, Assessment and Curriculum heading in the same table as the schools heading. However, there is a lack of consistency. The onus should not be on the committee, or the general reader, to spot odd trends in the budget, and seek out explanations but rather on the Executive to anticipate what parts of

¹ Information provided by the Executive at the committee’s request has now largely clarified these issues. The committee notes that the current Education Minister is the lead minister on Gaelic, although responsibility is split between his portfolio and that of the Minister for Culture, Tourism and Sport. It would be helpful if the draft budget presented an outline of cross-departmental spending on Gaelic or, at the very least, provided clear cross-references.

² The committee appreciates that Gaelic-medium education might raise specific problems in accounting terms because the total spend might end up being contributed to from two departments, as seems currently to be the case. However, this problem would not arise in relation to most education-related schemes and projects.
the budget, presented as raw data, are misleading, and to explain these clearly.

Objectives and targets

14. The committee re-iterates its view that there is a need to re-think and rationalise the different ways in which information additional to the data set out in the table is presented.

15. However the committee does welcome the table of targets set by the education department as a helpful guide to some of the main departmental priorities. The committee is satisfied that most targets meet SMART criteria.³ As alluded to earlier, much more needs to be done to link targets with data on what moneys are being spent to try to hit them, and to clarify what money is new money. Target 7 is an example: this is directed at increasing the number of teachers and reducing certain class sizes. We do not know from the budget what money is being spent on target 7, nor the breakdown of any such spending (e.g., will any of this be capital spend on more classrooms, which in some instances is presumably a consequence of smaller class sizes?).

16. Further consideration should perhaps be given by all committees to the question of how scrutiny of targets set by departments could be improved, and we would welcome the Finance Committee’s views. This committee’s perception is that so much time and energy is expended attempting to get to grips with the numbers in the tables and with how they relate to the accompanying information, that targets themselves are not scrutinised as thoroughly as they might be. Whilst we hope that changes to the presentation of the draft budget may make that task easier in future years, the committee thinks it unlikely that we will ever be able to focus in depth on any more than a small number of targets in any one year.

Cross-cutting issues

17. Again, the committee’s comments on cross-cutting issues should be considered in the light of our overall view that there is a need to rationalise the way information other than that set out in the tables is presented. This might entail a radical re-consideration of what function, if any, sections on cross-cutting issues should serve in a draft budget document, how they should integrate with and be distinguished from other sections (such as on Targets or Statements of Priorities), and how repetition can be avoided.

18. The committee has some concerns with the sections on closing the opportunity gap and sustainable development, which are rather too vague and do not add much to the reader’s understanding of the data in the draft budget. There is no reference to any spending in these sections and no cross-references to the budget tables. The sections come across more as a statement of intent, rather than any kind of budgetary commitment. We note the Executive’s concession, in subsequent email correspondence, that more

³ ie, criteria requiring objectives and targets to be specific, measurable, achievable, realistic, and time-limited.
work needs to be done to increase the level of detail on closing the opportunity gap and welcome its commitment to do so. We also hope the Executive will in future years engage in more work on the difficult task of quantifying spending on this issue.

19. The wording in the Equality section is less woolly, as it sets out action being taken in discrete areas across the department, in bullet-pointed format. If sections on cross-cutting issues are to appear in future draft budgets (and there needs to be clarity about what purpose such sections are to serve) the committee would prefer this format if possible. However we would like a more consistent approach to costing any such action points. Some points in the Equality section are costed but most are not, and of those that are costed, it is not clear where the money has come from in the budget, and whether it is new money. The example of Gaelic-medium education has already been cited.

The McCrone agreement

20. In evidence to the committee on 1 October, the Minister conceded that work on calculating the cost of implementing the McCrone agreement was still ongoing. The agreement was turning out to have a differential impact on rural areas in particular and work on job-sizing was also ongoing. This explained the very substantial rise in the Teachers heading in the budget tables (from £16.86m this year to £95.86m in 2005-06), this mainly being money that will end up in the GAE total (and therefore presumably will disappear from this heading in next year’s draft budget). We are grateful to the Minister for subsequently providing the committee with a breakdown of funding on the agreement over the next three years, although we would ask him to note that this is precisely the sort of highly important information on a discrete, high-profile matter that we would have found helpful to have received at the start of the scrutiny process. This includes the information that, after the agreement was reached, £430.5m was agreed in the 2001 budget to fund the agreement, but that for 2003-04 an extra £36m has been added.

21. The committee is sympathetic to the Minister’s point (in his spoken evidence) that accurately costing complex policies such as the implementation of the McCrone agreement is extremely difficult. In retrospect, however, there does appear to have been a degree of false precision in the funding announcement made at the time of the agreement, which is somewhat disappointing given the responsibility all Executive spending departments share to help create a culture of fiscal responsibility in public spending. Perhaps lessons could be learned about the way in which costings (often by definition contingent or imprecise) are presented. We also suggest that the Executive gives consideration to improving its methods of reporting back promptly to Parliament on projects that are unlikely to be delivered within initial costings.

Specific grants

22. The committee is grateful to the Executive for responding to our request for a more detailed breakdown of spending under the National Priorities Action
Fund, which takes up the vast bulk of specific grant spending (excluding the exceptional case of PPP funding, which we presume will go down once the current major programme of supporting school refurbishment ceases). Given the size of the NPAF, we recommend that, in future budgets, spending on the main projects under the fund is set out. This will assist us in appraising the adequacy of funding for projects and in tracking trends, which we would otherwise we unable to do. Given the significant amounts involved, the committee would also welcome clarification from the Executive as to what steps it is taking to monitor the effectiveness of spending on the NPAF

**Social work training**

23. The committee notes the additional information provided by the Executive on priority areas in social work training. While this was helpful, we note that spending under this heading was not broken down further. This is another example of an area of spending where more specificity would enable the committee to reach a more considered view on the adequacy of spending. The committee notes the substantial recruitment and retention problems in social work, and would welcome the Executive’s view on whether it is satisfied that the proposed budget increase in 2004-05 of just under £7m will be adequate to deal with that challenge.

**Children and young people**

24. The level 3 table on children and young people is a good example of where greater clarity needs to be provided, either by adding more detail to the table or by more expressly linking the data in the table with the statement of priorities beneath. For instance, it would have been helpful if the Executive had explained more about the size of the Changing Children’s Services Fund, what schemes or projects it funds, and which heading it is found under. The current level 3 headings do not provide enough information to enable the committee to make an informed judgment about the adequacy of funding or about trends, and the statement of priorities, whilst expanding on this information, does so in a piecemeal fashion.

**Additional support for learning**

25. The information presented on funding for special educational needs and additional support for learning is rather fragmentary, being divided between a number of headings. There is a lack of transparency on matters such as the funding of special schools. Nor is it clear what heading spending on mainstreaming (arising from the duty created under the Standards in Scotland’s Schools etc Act 2000) would be found under, and whether it is subsumed into overall spending on teachers (either centrally or by way of GAE). Greater clarity is needed. In particular, the committee seeks assurances that the Executive has noted and acted upon the Audit Scotland report on mainstreaming, and that any additional necessary cost is being adequately funded. Greater specificity in future may be adequate to provide that reassurance.
26. That said, the creation of a new heading on Additional Support for Learning to reflect the prioritisation of this matter is helpful, and we note the rising trend of spending in this area.

27. The committee notes that spending on special educational needs will remain static over the next three years. We understand that the bulk of this spending goes on training educational psychologists and other support staff for children with special educational needs. The committee does not anticipate that the passing of the forthcoming Education (Additional Support for Learning) (Scotland) Bill would reduce the important role of educational psychologists (if anything it may be enhanced) and therefore has some concerns that the line is static. Clearly, we will have another chance to consider this matter in more detail when the financial memorandum to the Bill is published, but in the meantime we ask the Executive to note our concerns.

Her Majesty’s Inspectorate of Education

28. The reduction in funding under this heading (in real terms) is a concern to the committee, given the increasing demands likely to be placed on HMIE. In evidence to the committee, the Minister appeared to acknowledge that the HMIE budget had been under-estimated and that the shortfall might be made up from End-Year Flexibility. We hope the situation will be addressed in the final budget.

Youth organisations

29. The committee would appreciate greater clarity in future draft budgets on spending on supporting uniformed and non-uniformed youth organisations. We are not clear whether funding is split between the education and communities portfolios and would welcome more information. As with the Gaelic budget, further information on the total Executive spend – perhaps simply a footnote or cross-reference – would help make funding in this area easier to understand. We hope that the Executive’s youth strategy will address the transparency of funding for youth organisations, as well as concerns over fragmentary or short-termist approaches to financial support in this area.

End-Year Flexibility

30. It is helpful to receive information on EYF in the budget. It would also help if more information could be provided (wherever possible) on where that came from, particularly if large sums are involved – including amounts that may not be especially big in the context of overall Executive spending, but which represent a large part of the budget of any particular project, scheme, or office.
Enterprise and Culture Committee

Stage 2 of the 2004-05 draft Budget

The Committee reports to the Finance Committee as follows—

1. The budget process this year has been truncated because of the May elections. There has been no Annual Expenditure Report, so the Committee’s scrutiny has focused solely on the draft budget for 2004-05.

2. The Enterprise and Culture Committee is responsible for scrutinising the Enterprise and Lifelong Learning budget, and the Tourism, Culture and Sport budgets. This report covers each budget separately.

ENTERPRISE AND LIFELONG LEARNING DRAFT BUDGET

3. The Deputy First Minister and Minister for Enterprise and Lifelong Learning gave evidence on the draft budget to the Committee on Tuesday 7 October.

Overview

4. Committee members noted that the Enterprise and Lifelong Learning (ELL) budget was set to increase over the planning period indicated in the budget documents by around 3.7%. This compared with an increase in the total budget of around 7.3%. Members queried this lower increase in the context of the Executive’s stated priority of growing Scotland’s economy.

5. The Deputy First Minister noted that elements of a number of budget lines also contributed to economic growth. He highlighted the transport budget which had been increased in response to business and industry stakeholder concerns.

6. The Committee asked the Deputy First Minister to explore the possibility of producing cross-cutting budget figures for spend aimed at the growth of the economy.

7. The Committee notes the Deputy First Minister’s response concerning cross-cutting budget figures (attached at Appendix 1). The Committee welcomes the Executive’s commitment to this style of working; however the Committee holds the view that accounting practices and reporting mechanisms need to change to more accurately reflect it. The Committee
will be seeking tangible changes to the presentation of figures for the next budget, and incremental improvements thereafter.

8. During the evidence session, members expressed concern that some of the figures referred to by the Deputy First Minister and his officials related to those contained in the Autumn Revisions, which had not been laid at the time of the Committee’s meeting. Thus Committee members and witnesses were referring to different sets of figures.

9. The Committee requested that for future Stage 2 budget evidence hearings, an early indication of proposed changes to budget figures would where possible be provided. The Deputy First Minister’s response is attached at Appendix 1.

10. Following the meeting, the Convener wrote the Deputy First Minister with the following additional questions. The Deputy First Minister’s responses are attached at Appendix 1.

- Could you highlight where the budget was underspent in 2002-03?
- Could you highlight for the Committee where additional funding from End Year Flexibility appears in this budget and comment on how this additional funding links to the Departmental priorities?
- Could the Minister follow the precedent set by his predecessor and make available the (provisional, unaudited) out-turn figures for 2002-03? And commit to this for future budgets?

11. The Committee queried the Minister on the lack of information as to the level of gender-proofing which had been carried out on the budget. In particular, members noted that there were gender equality issues around the provision of childcare for people returning to learning in further education, and around the take-up of places in different types of courses in the Modern Apprenticeship scheme. Members were further concerned to ensure that the full range of equality issues had been taken into account in preparing the budget figures.

12. The Committee re-emphasised the importance of equality-proofing budgets at an early stage of their development, and on the basis of the Minister’s statement will look for evidence of such action in future budget documentation.

Lifelong Learning: Higher Education

13. The Committee noted that the increase in funding for higher education was around 14.9% over the three year spending plans, significantly less than the 23% increase in the budget as a whole. Members were particularly concerned about this in the context of the potential impact of the introduction of higher up-front tuition fees in England.

14. The Deputy First Minister noted that higher education funding had increased in real terms every year since the establishment of the Scottish Parliament, and stated that this represented a ‘very clear commitment’ to higher education. The Deputy First Minister informed the Committee that the third phase of the higher
education strategic review, involving major stakeholders, has been designed to provide robust data to inform responses to the developing situation in England, as well as for the forthcoming Spending Review 2004.

15. Members were concerned to ensure that arrangements to liaise and share information with appropriate Ministers and departments at Westminster were in place. The Deputy First Minister confirmed that dialogues were taking place at ministerial and official level. He noted that it would be for the UK Government to take policy decisions on these matters for England, but that he hoped that it would be willing to share factual information with the Scottish Executive.

16. It is the Committee’s view that such sharing of information between the Scottish Executive and the UK Government should not be an aspiration, but is essential.

17. The Committee expressed an interest in levels of research funding for Scotland, and returns on that investment. The Deputy First Minister reported that the Scottish Higher Education Funding Council (SHEFC) would be allocating around a third of its funds in support of research, representing a 20% increase in real terms between 2001-02 and 2005-06. Members also heard that Scottish higher education institutions filed 11% of total patents in the UK and formed 14% of spin-off companies in 2000-01.

Lifelong Learning: Individual Learning Accounts
18. The Committee queried the budget line for Individual Learning Accounts (ILAs) on the grounds that these had not yet been introduced. The Deputy First Minister reported that the Executive wished to hear the Audit Committee’s conclusions on the first ILA scheme before introducing the replacement. The Committee heard that a likely implementation date would be summer 2004.

19. The Deputy First Minister confirmed that a revised Individual Learning Account scheme had been agreed by Cabinet, it would be shared with the Enterprise and Culture Committee prior to the introduction of a amended statutory instrument to implement it.

20. The budget line for ILAs is £15m in 2003-04. The Committee heard that around £3m would be spent on development costs, and questioned the Minister on where the remaining £12m allocated to that budget would be spent.

21. The Deputy First Minister agreed to provide the Committee with information on the allocation of the £12m not spent on Individual Learning Accounts in 2003-04.

22. Despite the Deputy First Minister’s response on the allocation of the £12m underspend on Individual Learning Accounts in 2003-04 (attached at Appendix 1), the Committee is concerned that the money allocated to this type of project has not been spent in a similar area.

Lifelong Learning: Student Support
23. Members noted that the Executive’s partnership agreement had indicated that it wished to increase support for students from poorer backgrounds. In light of
this, the Deputy First Minister was asked to comment on the fact that figures for 2003-04 were broadly similar to those for previous years.

24. The Deputy First Minister confirmed that funding for student support was under review, and that the figures in Spending Review 2004 would incorporate the results of that review.

Lifelong Learning: Educational Maintenance Allowance

25. Members sought more information on the detail of the roll-out of the Educational Maintenance Allowance. The Deputy First Minister confirmed that pilot programmes had taken place in East Ayrshire Council, Dundee City Council, Glasgow City Council and West Dunbartonshire Council. The roll-out will commence at the beginning of the academic year 2004-05, and will be given first to 16-year olds, and by 2007-8 to 16-19 year olds.

Enterprise

Enterprise: Enterprise in Schools programme

26. Members commented on the significant and continuing increase in funding for programmes designed to promote enterprise and entrepreneurship in schools. Members sought information on the extent to which this funding would be aimed at specific and separate training in schools, and to what extent it would be used to influence the broader curriculum to promote entrepreneurial skills in young people.

27. The Deputy First Minister outlined the available funding for the programmes, and noted that the Hunter Foundation had allocated £2m in matched funding for 2003-04 for these programmes. The Deputy First Minister noted the importance of providing training for staff as well as pupils in this area. The Deputy First Minister confirmed the view of the Committee that this type of expenditure would need to be embedded and long-term, and the Committee noted that the baseline for the programmes was built into the programme, beyond the current spending review.

Enterprise: Scottish Enterprise budget

28. Members expressed some surprise over the decrease in the Scottish Enterprise budget over the period, again given the context of the priorities outlined in ‘A Smart, Successful Scotland’.

29. The Deputy First Minister noted that the planned funding for 2003-04 included £18m for broadband, and that a drop of £8m between 2004-05 and 2005-06 was due to the end of the current spend on the Scottish Co-Investment Fund. The Deputy First Minister emphasised that no decision had been taken as to whether the Scottish Co-Investment Fund would continue, and confirmed his view that public bodies could take risks, within the framework of the overall economic development strategy, to bridge the gap created by risk-averse businesses and private finance providers.

30. The Deputy First Minister further highlighted Scottish Enterprise’s business transformation project, which had reduced staff numbers by around 500 and
which was intended to result in gross and cumulative savings in the region of £200m from 2001 to 2006.

31. **The Committee recommends that Scottish Enterprise’s next operating plan budget should indicate clearly where savings from the business transformation scheme have been re-invested in the organisation.**

**Enterprise: Scottish Enterprise targets**

32. The Committee noted that the ‘priority performance targets’ for Scottish Enterprise were not precisely similar to those set out in relation to ‘A Smart Successful Scotland’. The Deputy First Minister confirmed that there was a close correlation between these targets.

33. Members queried the target on business-start ups, given the uncertainty over the future of the Scottish Co-Investment Fund. The Deputy First Minister clarified that the Co-Investment Fund related to growing businesses more than to business start-ups, and noted that a new business start-up scheme would be launched in the new year.

34. Members expressed some concern that Scottish Enterprise had a budget but no targets for 2004-05 and 2005-06, particularly given that Highlands and Islands Enterprise had provided such targets. The Deputy First Minister noted that responsibility for setting targets within the framework provided by ‘A Smart, Successful Scotland’ rested with the boards of the Enterprise agencies, and that the Executive took a close interest in the performance of the agencies.

35. **Given the proportion of the Enterprise and Lifelong Learning budget allocated to Scottish Enterprise, the Committee considers that it is essential that targets and performance reports are provided.**

**Enterprise: Regional Selective Assistance**

36. Members requested information on the current trends in uptake for the Regional Selective Assistance scheme, and on the impact of those trends in terms of the objectives of the scheme and in terms of budgetary outturn.

37. The Deputy First Minister reported that the percentage of grants going to UK firms had increased from 51% to 65% over the past two years. The Deputy First Minister went on to state that although inward invest would continue to be important for Scotland, it would be wrong for the country to try to compete with low-wage economies in south-east Asia.

**Energy Efficiency**

38. Members noted that planned spend for the energy efficiency budget would remain static over the planning period, representing a reduction in real terms expenditure. The Deputy First Minister reported that an underspend in the Scottish renewables obligation budget would result in additional funding of £3.9m for energy efficiency and £3m for renewables promotion in the current year.
39. Members expressed concern that this increase would not be sustained over the rest of the planning period, particularly in the context of a reported increase in the Scottish proportion of greenhouse gas emissions between 1990 and 2000. Whilst welcoming the increase in funding for 2003-04, the Committee sought assurances from the Deputy First Minister that the increased funding would be continued in future years.

40. The Deputy First Minister emphasised his commitment to energy efficiency, particularly through environmental fast-track audits for Small and Medium Sized Enterprises (SMEs), which had identified potential savings of around £2m for businesses in Scotland. He noted that there was also potential for public buildings to be more energy efficient.

41. The Committee believes that it is essential that a coherent energy efficiency strategy, firmly linked to clear spending plans, is in place over the three year budget period.

Renewable Energy

42. Following the meeting, the Convener wrote to the Deputy First Minister to ask him to explain the budget line for the Scottish Renewables Obligation in relation to the overall Scottish block grant. The Deputy First Minister’s response is attached at Appendix 1.

TOURISM, CULTURE AND SPORT DRAFT BUDGET

43. The Minister for Tourism, Culture and Sport gave evidence on the draft budget to the Committee on Tuesday 28 October. Due to the timescales involved, the Minister has agreed to provide the additional information requested in this report as part of the Departmental response to the Finance Committee’s report on the draft budget.

Overview

44. The Committee noted that the majority of spend in this portfolio was channelled through Non-Departmental Public Bodies or agencies, rather than being under the direct control of the Minister. The Minister noted that these bodies operate within the strategic frameworks set by the Executive. Members queried whether these bodies had the flexibility to carry underspent funding forward where necessary. The Committee heard that the underspend for 2002-03 was £800,000, being made up in the main by Historic Scotland underspend, plus slippage on one capital project. In both cases, the organisations had been permitted to carry forward the underspend.

45. Members raised the issue of comparative spend on the arts in England. The Minister stated that English budgets were coming from a lower baseline so that comparison was not straightforward. He also noted that different decisions on funding had been taken north and south of the border, which again made comparison difficult.
46. The Committee raised the issue of partnerships and cross-cutting work, both within the Executive and in the wider stakeholding community, to address issues – for example, working with the Environment and Rural Affairs Department to develop new tourism opportunities for decommissioned fishermen. The Committee heard that the portfolio was increasingly seeking such partnerships, and the Minister gave examples of other areas where similar work would be necessary, such as ensuring that the right links were in place regarding the National Parks. The Minister acknowledged that more work needed to be done, but highlighted various instances of positive work, including additional funding for active lifestyles from the Health budget.

47. Committee members asked the Minister what action was being planned to address a projected reduction in funding from the National Lottery, given the potential impact of such a reduction on this portfolio in particular. The Minister stated that the reduction was due to a downturn in ticket sales, and that work was ongoing to prepare the ground for reduced funding. The Minister stated that a co-ordinated approach was being taken to reviewing the demands on the budget. He also noted that there may be scope to improve the links between the various Lottery funding streams.

48. The Committee noted that Target 3 in the draft budget did not appear to relate to Tourism, Culture and Sport.

49. The Minister agreed to provide the Committee with the correct Target 3 for the Tourism, Culture and Sport draft budget 2004-05.

Tourism

50. The Committee asked for information on the increase in VisitScotland’s funding, and for information on the effectiveness of VisitScotland’s marketing. The Minister replied that work had been done to determine the amount of money attracted into Scotland’s economy per pound of VisitScotland spend, and that this was roughly £12. The Minister recognised the need to improve VisitScotland’s marketing spend.

51. Members expressed interest in the relationship between VisitScotland and VisitBritain (formerly the British Tourist Authority). The Minister confirmed that VisitBritain was responsible for marketing Scotland overseas as part of the UK, and that VisitBritain funding came from the Department of Culture, Media and Sport. Members sought information on potential tensions between VisitBritain’s dual roles of promoting Scotland and England. The Committee heard that there did not appear to be problems at this stage but that the Executive was aware of the potential issue and would continue to monitor performance.

52. The Committee asked the Minister which airports had been assisted by the Route Development Fund (RDF). The Minister noted that the RDF was primarily within the remit of the Transport Minister; however he was aware that the focus to date had primarily been within the central belt. Recognising the importance of the Scandinavian market, the Minister considered that there would be potential for other airports to benefit from the Fund. It was noted that one of the criteria for receiving funding was a minimum of five flights per week, and that
not all routes could sustain that intensity of traffic. In addition, the Minister noted that airlines would continue to make decisions on route development independently of the RDF.

53. Members asked whether information was collated as to the balance of incoming and outgoing tourists on the flights supported by the RDF. It was suggested that some routes could be having a negative impact on domestic tourism, in that Scots might be more likely to use the flights to visit elsewhere. The Minister agreed that for some routes that may be the case, but that as the routes developed there were increasing numbers of tourists coming into Scotland. He also reported that the Transport Minister was working on checking the effectiveness of the routes.

54. The Committee asked the Minister for information on visitscotland.com, amid some concerns that the company was not paying enough attention to tourism providers. The Minister reported that a senior member of staff had been appointed specifically to deal with some of these relationship issues. He stated that visitscotland.com was competitively priced compared to some other online booking agencies, but recognised the need to adapt and change. In particular the Minister noted the need for visitscotland.com to link more effectively into local networks.

55. Members noted that the target for visitscotland.com to have ‘75% of accommodation bookable via the internet for 2005’ did not mean that such accommodation could be booked directly online. Accommodation where customers could email to make contact would also be included.

56. The Minister was asked how sustainable and environmentally-friendly tourism was being promoted, and further for the definitions used by the Executive for ‘green’ tourism.

57. The Minister stated that the Executive was at an early stage of seeking to review this issue. VisitScotland had done some work on branding for green tourism, and on identifying areas where all tourism businesses could improve practice in terms of sustainability. The Minister acknowledged that much more work could be done in this area, particularly in light of the marketing potential for young people, and stated that he would welcome any contributions members might have to make.

58. The Minister agreed to provide the Committee with the criteria used by VisitScotland to assess ‘green’ tourist accommodation and visitor attractions.

59. Members raised the issues of regional analysis of visitor numbers, noting that figures had fallen in the north east of Scotland.

60. The Minister agreed to provide the Committee with regional analyses of tourist visitor figures.
Creative industries

61. Members noted that Target 5 of the draft budget 2004-05 related to the development of a new method of determining the contribution of tourism to the Scottish economy.

62. The Committee considers that it is essential that Target 5 (on the development of a new method of determining the contribution of tourism to the Scottish economy) is met and that the information is used to inform the development of future budgets.

Building Preservation Trusts

63. The Committee sought information on Building Preservation Trusts, particularly with regard to rural areas. The Director of Finance for Historic Scotland responded that one of the last Spending Review targets was the creation of City Heritage Trusts. The Executive had been working on these, consulting with local authorities to identify people for appointment to the Trusts and seeking sources of funding. City Heritage Trusts for Aberdeen, Dundee and Stirling are due to be legally constituted at the beginning of Financial Year 2004.

64. It was further noted that the Historic Buildings Repair grant applies to the whole of Scotland and is designed to support both urban renewal and rural regeneration.

Scottish Opera

65. In response to members’ queries, the Minister confirmed that Scottish Opera would not be receiving additional funding to cover their reported operating cost deficit. The Minister reported that the Executive had been meeting with Scottish Opera senior management to discuss the situation.
INTRODUCTION

1. The Committee has considered the spending plans of the Scottish Executive Environment and Rural Affairs Department (SEERAD) as set out in the Scottish Executive Draft Budget 2004-05. In addition to examining any significant trends and fluctuations in expenditure, the Committee agreed to focus on two main areas of interest:
   
   o Understanding the strategic choices in the budget in terms of agricultural and rural development support, so that the Committee will be well placed to examine the impact of CAP reform in the next year’s budget process; and
   
   o Examining the departmental indicators and targets in order to provide a clearer picture of how policy priorities are related to resources.

2. The Committee has also considered the reports of its predecessor committees in Session 1 (the Transport and the Environment Committee and the Rural Development Committee) and has assessed the extent to which the comments of those Committees have been taken into account in presenting the current draft budget.

3. At its meeting on 8 October 2003, the Committee took evidence from Ross Finnie MSP (Minister for Environment and Rural Development). The Committee has also had the benefit of receiving informal briefing and supplementary evidence on a number of points from Executive officials, and is grateful for the co-operation it received. The Committee is also grateful for the analysis and advice received from its adviser, Professor Mark Shucksmith of the Arkleton Centre for Rural Development Research, University of Aberdeen, and his colleague Professor Ken Thomson.
SPECIFIC ISSUES

Water

4. The Committee notes that the Environment and Rural Development budget has declined in real terms between 2003-04 and 2004-05. A significant contributing factor to this is that the planned spending on water in 2004-05 is some £55 million lower than in 2003-04. The Committee asked the Minister for an explanation of this reduction, particularly in the context of concerns about the funding of new housing developments. The Minister explained that “the savings largely represent a reduction in the level of borrowings...” that result from the efficiencies that are being made” by Scottish Water, in which the Executive is the major shareholder. No explanation of this is provided in the Draft Budget. The Minister also referred several times in his evidence to a figure of £1.8 billion that has been “committed to Scottish Water” although this figure does not appear anywhere in the Draft Budget document. The Minister stated that the vast majority of this £1.8 billion would be required to improve existing infrastructure, but indicated that Scottish Water would produce a review of the need for new infrastructure (both urban and rural) by the end of the year. The Committee looks forward to seeing the results of that review.

5. The Committee was concerned to learn that current budget allocations could prove to be inadequate to meet the demands of water quality standards and access to new infrastructure, whether in remote areas or otherwise. It urges the Executive to seek a rapid resolution to these issues of capital expenditure and funding streams with Scottish Water, so that these problems, and the severe problem of flooding in some parts of Scotland, can be speedily addressed within a scheduled programme.

6. The Committee notes that the Scottish Executive will be required to report to the Parliament on the implementation of the Water Environment and Water Services Act 2003 early in the 2004, and looks forward to seeing this issue addressed in that report.

Environment Protection – Waste Management

7. The Committee recognises that a significant area of growth in the budget is the amount committed to the Strategic Waste Fund, over the 3 years covered by the draft budget document. The Committee also notes that a further £8.6 million, £9.4 million and £8.4 million has been allocated to these 3 years since the 2002 spending review, as a result of changes to the Landfill Tax Credit Scheme. The Committee welcomes these changes; but does not propose to examine them in great detail here, as funding issues associated with waste management will be examined in its forthcoming report on the implementation of the National Waste Plan.

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1 Scottish Executive Draft Budget 2004-05, table 9.02, page 152
2 Official Report, col 294
RURAL DEVELOPMENT FUNDING

8. The Committee has paid particular attention to the area of rural development funding (which includes funding for agri-environment schemes). This is an area which will be affected by the implementation of reforms to the Common Agricultural Policy (CAP), as recently agreed in principle at EU level. The Committee notes that the Scottish Executive is currently consulting interested parties on the options for the implementation of these reforms in Scotland, and that final decisions have yet to be taken. It is also recognised that further clarification on the precise meaning and implications of the reforms, as well as approval of proposed implementation measures, may also need to be sought from Brussels. However, the Committee is aware that a number of strategic choices will need to be made in this area by the Minister, and that these choices will have budgetary implications.

9. The task of understanding such near-future spending decisions is not made easier by the practice of “parking” notional figures dependent on Commission approval against one or two specific schemes in the draft budget, nor that of listing 19 categories of rural development spend in no obvious or logical order. For example, proposed changes to the budgets for the Organic Aid and Rural Stewardship schemes are currently awaiting approval from the European Commission. Once this approval is forthcoming, it is likely that money currently shown as being allocated to the Countryside Premium Scheme will be transferred to those two schemes. No explanation of this potential transfer is contained in the budget document. The Committee believes that this type of presentation makes it even more difficult for Committees to assess spending choices, if money is shown as being allocated to schemes on which it will not in fact be spent. This is particularly the case in respect of the schemes mentioned above, as they represent some of the main discretionary spending choices that have been prioritised by the Minister.

10. As a further example, separate to the schemes mentioned above, the Treasury has provisionally allocated some £22.8 million in match funding for modulation, which would allow for domestic rate to rise up to 10%. As decisions on the rate of domestic modulation will not be made until the end of the current CAP reform consultation this money is currently ‘parked’ under the Rural Stewardship Scheme. Should the domestic rate of modulation be less than 10%, this money could be clawed back by the Treasury. Again, the budget documents contain no explanation of this, which the Committee finds unhelpful, and indeed potentially misleading, if the documents are merely taken at face value.

11. The Committee therefore recommends that future budget documents should provide a clear explanation in the text of any such nominal ‘parking’ of money in the budget.

12. The Minister has made it clear that future spending on rural development will depend on the outcome of decisions about modulation, which is the only

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3 see Table 9.07
4 Official Report, col 302
5 Official Report, col 301
instrument for transferring moneys from Pillar 1 (market and income support) to Pillar 2 (rural development). While the Committee understands this uncertainty, it believes that it would be possible for the Minister to be clearer about his overall policy priorities and desired outcomes, and the extent to which the Executive wishes to exploit the existing and new flexibilities in implementing CAP reform.

13. **The Committee believes that at the very least, it would have been possible to present a clearer statement of priorities – perhaps linked to alternative funding availabilities and new opportunities arising as a result of the CAP reforms – to which it and the public generally could react. The Committee would also have benefited from receiving more information not just on priorities, but on the outcomes which the Minister expects to see as a result of this planned spending. The Committee therefore intends to return to this issue later in the year, after the current consultation process has concluded.**

**DEPARTMENTAL PRIORITIES, OBJECTIVES AND TARGETS**

14. The Committee is interested in examining the policy priorities of the Executive, and how these are reflected in budgetary decisions. Following on from the comments of predecessor committees, the Committee is particularly interested in looking at the objectives and targets underpinning the budget, and examining how these objectives and targets are arrived at, and how they can be measured and evaluated.

15. In view of its criticisms contained in predecessor reports, the Committee is pleased to note that the figures presented in the Draft Budget are now presented on the same basis as in *Building a Better Scotland*, enabling a more direct comparison between the two documents. It would be even more helpful to have actual expenditure on the same basis for the most recent completed year (2002-03) alongside planned spending for the current and two future years. The numbers of Objectives and Targets have expanded from 5 and 9 respectively to 10 and 17 respectively. Some but not all of these objectives and targets relate to 2006 (the end-date for the spending proposals in *Building a Better Scotland*). The Committee also notes that a list now appears of “Portfolio Priorities” for 2004-05 which seems to be unrelated to the Objectives and Targets or to the “Statements of Priorities for 2004-05” which appear under each of the Level 2 subsections. Further, some but not all subsections specify individual Targets, or “Objectives and Targets”. Despite some paragraphs using the same title, explicit reference is not made to the objectives and targets in *Closing the Opportunity Gap*.

16. **The Committee believes that these layers of seemingly unrelated priorities, objectives and targets are confusing and unnecessary. It therefore recommends that future budget documents provide a clearer explanation of the departmental policy priorities and how they relate to planned spending.**

17. The Committee believes that targets are only of value if they are related to performance as measured by indicators, which are lacking in the Draft Budget even by name, let alone recent, current or expected levels. The only reference to indicators in the Draft Budget chapter is a brief one to the April 2002 *Meeting the Needs* publication on sustainable development. Moreover, of the 24 indicators in

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that publication only a few can be related directly to the budget activities under examination here, and even these indicators (e.g. Biodiversity, to be measured by the percentage of BAP species or habitats stable or increasing) cannot be related to the budget text (e.g. that under “Natural Heritage”). The Committee also notes that these indicators themselves are currently under review, as part of a separate process.

**Objective 6**

18. The Committee engaged in a more detailed analysis of several objectives, in an effort to use them as case studies. For example, Draft Budget Objective 6 is to “reduce the opportunity gap by promoting....sustainable development in rural communities”. Target 9 under this objective is to “encourage more sustainable agricultural activity on 13,500 farm businesses in Scotland’s remote hills by 2006”. The Minister undertook to write to the Committee with further information about this target, and the manner in which it could be measured. This subsequent clarification has confirmed that the 13,500 businesses specified are all those – large and small, remote or otherwise - benefitting from support under the Less Favoured Areas Support Scheme. However, while the supplementary information supplied contained more information about the manner in which LFASS contributes to environmental and economic sustainability, no further information has been supplied as to how Target 9 will be measured. The Committee would have particularly welcomed further clarification on how the Scottish Executive intends to quantify the contribution of LFASS to sustainability, and any further information on how sustainability is defined in this context.

19. In the absence of clear indications of desired outcomes and meaningful indicators or performance towards targets the Committee finds it difficult to assess whether the Minister has allocated funds to schemes which will in fact deliver on the objectives set out in the document.

20. The Minister was also questioned regarding the Objective 6 commitment to “reduce the opportunity gap by promoting economic development, social justice and better service delivery in rural communities”. As with its predecessors, this Committee is particularly interested in how the Minister ensures that cross-cutting objectives that fall within other portfolios are achieved. The Minister noted that he has a coordinating role in trying to impress on other departments the need to fashion programmes in a way that will allow them to be delivered more effectively in rural communities\(^6\). While not diminishing the importance of this role in any way, the Committee would have welcomed more concrete information on how the department will work with other departments to achieve the objectives set out in the budget.

21. The Committee therefore recommends that future budget documents should make clear exactly how, and by whom, cross-cutting objectives (such as those in relation to rural communities and sustainable development) will be delivered.

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\(^6\) *Official Report*, col 310
Objective 9
22. The Committee also noted Objective 9 – “to maintain progress on the implementation of the Forward Strategy for Scottish Agriculture making full use of the flexibilities now available under the CAP Reform settlement”. Towards this, Target 14 is to “make use of the newly enhanced flexibilities under the CAP to make Scottish agriculture more competitive and sustainable”. Again, the Committee sought further clarification on the meaning of the words “competitive” and “sustainable” in this context, and how success in relation to them would be measured. While the Committee welcomes the further information received on these flexibilities under the CAP, the Committee still remains unclear as to how the Executive intends to measure its progress towards meeting this target.

Land Management Contracts
23. The Committee also examined the development of land management contracts (LMCs). The Draft Budget mentions “a working model” of these contracts as a target for summer 2004. However neither the budget document, nor the Minister, make clear what part this new instrument may play in the future. In evidence, the Minister indicated his preference for “a slightly longer-term view … for making substantial improvements to the environment, the habitat and the whole general fabric of our countryside” rather than “a single entry point and a broad and shallow approach … in which there is little control over what the end objective might be”. The Committee takes this to mean that the Minister feels that LMCs should involve payments of an improvement grant nature rather than ongoing payments for services. Whatever the preferred balance between spending of a capital or current nature for agri-environmental purposes, it is not however clear to the Committee why specific objectives and targets cannot be set for either (or both) types of payment. The Minister also considered that, apart from possible additional transfers of modulated funds, the same budget lines would continue to operate even with LMCs, thus leaving the Committee no further ahead in assessing the priorities and objectives for rural development (and in particular environmental support), nor in the preferred vehicles (types of scheme) by which these are to be pursued.

Climate Change
24. The Committee was also interested in Objective 4 which refers to tackling climate change. The Committee noted the lack of any target in the departmental budget relating to climate change, although it was noted in evidence that the issue would also fall within other departmental portfolios. In response to questioning the Minister noted that “you have partly put your finger on the reason for that target’s being where it is. If I had not mentioned it, it might have slipped off the page for the whole Executive. I was anxious for that not to happen”.  

25. The Committee also notes that although the Minister takes an “overarching view” of measures to tackle climate change, the Draft Budget chapter refers only to “reactive” measures to mitigate the impact of such change, rather than measures to reduce climate change. It would have preferred to see in budget terms how the Executive as a whole is addressing this area. The Committee was somewhat reassured by the provision of supplementary material by the Executive

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7 Official Report, col 307
8 Official Report, col 298
which described the ongoing work on climate change being undertaken by the Executive. However, the Committee remains concerned by the lack of any apparent connection between this work and the budget lines shown in the draft budget. As with the cross cutting matters referred to in paragraph 15 above, the Committee believes that the Minister needs to display strong leadership in relation to the achievement of cross-cutting objectives and the setting of measurable targets.

26. All this makes for general confusion, and inhibits both an overall view and a detailed understanding of how the allocation of public resources is being related to outcomes, both actual and desired.

27. The Committee therefore repeats its conclusions in last year’s Report, i.e. that “serious attention be given to presentational issues”, 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 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”.

CONCLUSIONS

28. The Committee welcomes the fact that the figures presented in the Draft Budget are now presented on the same basis as those set out in ‘Building a Better Scotland’ as this enables much clearer comparisons to be made between the documents. However, in general, the presentation in the Draft Budget is still difficult to follow. In his opening remarks to the Committee on 8 October, the Minister referred to the AME/DEL distinction, which is fundamental to understanding the nature of much of the SEERAD budget. This distinction is, however, not fully explained in the budget chapter. Given the proportion of the budget that is represented by CAP market support payment, the Committee also finds it unhelpful that these figures were located at the end of the chapter.

29. The Committee raised a number of concerns in relation to specific budget lines and objectives. The Committee remains concerned by the drop in planned spending on water, and the possibility that this spend may prove to be inadequate to meet demand for new infrastructure.

30. The Committee notes that Scottish Water is currently reviewing the need for new infrastructure and urges the Scottish Executive to work with Scottish Water to resolve these issues. The Committee notes that the Scottish Executive will be required to report to the Parliament on the implementation of the Water Environment and Water Services Act 2003 early in the 2004, and looks forward to seeing this issue addressed in that report.

31. The Committee notes that in several instances money has been nominally ‘parked’ in the budget within specific budget lines, and is either ring-fenced for such contingencies as modulation payments, or likely to be moved following EU approval to changes to other schemes. No explanation of this ‘parking’ is contained in the budget documents.
32. The Committee finds this practice unhelpful, and recommends that future budget documents should provide a clear explanation in the text of any such nominal ‘parking’ of money in the budget.

33. The Committee notes the current uncertainty regarding the implementation of CAP Reforms in Scotland, and notes the current consultation exercise being undertaken by the Scottish Executive. It is clear to the Committee that strategic choices must be made by the Minister, and that these choices will have budgetary implications. The Committee is disappointed that the Minister was unable to provide the Committee with a clearer statement of his overall priorities in this area at this time.

34. The Committee believes that at the very least, it would have been possible to present a clearer statement of priorities – perhaps linked to alternative funding availabilities and new opportunities arising as a result of the CAP reforms – to which it and the public generally could react. The Committee would also have benefited from receiving more information not just on priorities, but on the outcomes which the Minister expects to see as a result of this planned spending. The Committee therefore intends to return to this issue later in the year, after the current consultation process has concluded.


36. The Committee believes that these layers of seemingly unrelated priorities, objectives and targets are confusing and unnecessary. It therefore recommends that future budget documents provide a clearer explanation of the departmental policy priorities and how they relate (or not) to planned spending.

37. The Committee remains frustrated by the apparent lack of connection between departmental policy priorities and specific budget lines. The Committee believes that it should be possible to track policy priorities through the budget, and relate them to objectives and specific targets. The Committee continues to be disappointed by the arbitrary and extremely loosely defined nature of some of the targets provided in the draft budget. The Committee is particularly concerned about the difficulty in measuring these targets, and assessing progress towards meeting objectives.

38. In the absence of clear indications of desired outcomes and meaningful indicators or performance towards targets the Committee finds it difficult to assess whether the Minister has allocated funds to schemes which will in fact deliver on the objectives set out in the document.

39. The Committee also remains concerned about how the Minister ensures that cross-cutting objectives that fall within other portfolios are achieved. The Committee would have welcomed more concrete information on how the department will work with other departments to achieve the objectives set out in the budget.
40. The Committee therefore recommends that future budget documents should make clear exactly how, and by whom, cross-cutting objectives (such as those in relation to rural communities and sustainable development) will be delivered.

41. The Committee therefore repeats the criticisms contained in previous budget reports. In addition to the need to clarify priorities in the area of rural development during the next year or so, the Committee believes that serious attention must be given to presentational issues, as outlined above, and that progress must be measured against the indicators set out in ‘Closing the Opportunity Gap’. As previously recommended, it would be helpful if this progress could be published in disaggregated form for rural Scotland. Considerable further development of appropriate targets should be undertaken as a matter of urgency, to enable the measurement of progress towards the Department’s objectives.

42. The Committee notes that many of the recommendations made in the previous paragraphs have been made in every previous report on the budget. The Committee is frustrated that the same issues of lack of transparency, and inability to measure targets have arisen year after year. The Committee believes that until these fundamental issues are addressed by the Scottish Executive, Committees will remain unable to conduct effective and meaningful scrutiny of the budget process. The Committee notes that the Finance Committee is to conduct a review of the budget process during this session, and asks that the Committee take these comments into account during this review.
Equal Opportunities Committee

Stage 2 Report to the Finance Committee on the 2004/05 Budget Process

The Equal Opportunities Committee reports to the Finance Committee as follows—

Introduction

1. The Scottish Executive announced its spending proposals for 2004-5 on 11 September 2003 in the *Draft Budget 2004-5*. The Committee recognises that the budget process has been truncated this year due to the Scottish general election. However, the Committee is concerned about the limited time available for its stage 2 consideration of the budget and wishes to note that its scrutiny of the budget this year has been significantly reduced. This report is, therefore, based on limited oral and written evidence.

2. The Equal Opportunities Committee considered stage 2 of the 2004/05 budget process at its meetings on 7 and 28 October 2003 and 4 November 2003.

3. At its meeting on 7 October the Committee heard oral evidence from the Disability Rights Commission (DRC), the Commission for Racial Equality (CRE) and the Scottish Women’s Budget Group. The Committee also heard oral evidence from the Minister for Communities at its meeting on 28 October 2003.

4. The Committee also received written evidence from the DRC, the CRE, the Scottish Women’s Budget Group, the Equality Network and the Equal Opportunities Commission (EOC). All written evidence is published on the Equal Opportunities Committee’s webpage.

5. The Committee wishes to thank all those organisations which gave evidence to the Committee. Further, the Committee wishes to thank SPICe and Professor Arthur Midwinter, the Standing Adviser to the Finance Committee, for their work in supporting the Committee in its scrutiny of the budget.
Equality Statements

General

6. The previous Equal Opportunities Committee recommended the inclusion of an overarching equality statement in the Budget and clearer policy commitments relating to equality throughout its reporting on the budget process in the first session. The current Equal Opportunities Committee therefore welcomes the Scottish Executive’s inclusion of both an overarching equality statement and portfolio equality statements within the Draft Budget 2004/05.

7. Evidence received by the Committee was supportive of the statements and witnesses requested that this “approach is maintained and developed in future budgets.”\(^1\) The Equality Network and the Equal Opportunities Commission (EOC) in particular both highlighted that this is a significant step forward on last year, when only the two pilot areas of housing and education included an equality statement of this kind.

8. The Committee commends the inclusion of equality statements in the draft Budget as a considerable development in building in equality to Executive policy. The Committee is also encouraged by the level of commitment to mainstreaming equality within Executive departments that this development represents.

Definitions of “Equality” and “Closing the Opportunity Gap”

9. The Equality Network, the EOC and the CRE all called for greater clarity in the definitions of “Equality” and “Closing the Gap” statements contained in the draft Budget. The EOC in particular stated that “While the impetus for both of these strategies is about tackling inequality and exclusion, there is a danger of considering issues of gender equality as part of the poverty/social inclusion agenda and not as part of the commitment to mainstreaming gender/equality throughout the policy process.”\(^2\)

10. The Minister for Communities recognised the evidence received by the Committee in relation to this and stated “we saw that some departments included equality issues more as social inclusion or closing the opportunity gap matters. In the coming year, we intend to ensure consistent information across all the headings.”\(^3\)

11. The Committee acknowledges the developing nature of this work and the Executive’s undertaking to develop consistency of approach across departments. However, the Committee would wish to see equality issues highlighted in a more consistent style that fully supports and reflects developing mainstreaming equality policy. The Committee will therefore monitor the development of these statements across departments in future budgets.

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\(^1\) Engender, Col 62, Official Report, 7 October 2003
\(^2\) Equal Opportunities Commission, Written submission, EO/S2/03/4/5
\(^3\) Scottish Executive, Col 105, Official Report, 28 October 2003
Linking expenditure to targets and outcomes

12. The Committee wished to establish that there were clear links between expressed policy relating to equality and spending allocations within the equality statements. The DRC pointed to what they considered as particularly strong examples of this in education, transport and health budgets. However, the DRC also stated, “in other portfolios, such as justice, we know that valuable work is taking place, but we simply would not be able to tell that from the budget documents.”

13. During evidence taking the Minister stated “In developing the equality strategy, we have tried to be strategic in the first instance. We have developed work in relation to the housing and education pilots with a view to rolling out initiatives across the Executive.”

14. The Committee noted a number of statements that did not have figures attached. The DRC felt that “those would be key areas where one would hope that guidance would mean that progress could be made. That is the next stage in the process of mainstreaming equality within the budget.”

15. The Scottish Executive expressed a commitment to focusing on “improving the linkage between expenditure and the outcomes the expenditure delivers” in its recent response to the Equality Proofing Budget research conducted by Dr Ailsa McKay and Rona Fitzgerald and the Committee wished to establish the level of progress made in this area. The Minister restated during evidence taking the Executive’s support of outcome-based targets and the Executive asserted that in the 2004 spending Review “the intention is to improve on the targets that we set and to make the link between expenditure and outcomes easier to see. We are working on a programme of progress in that area.”

16. The Committee awaits and will monitor the improvements the 2004 Spending Review is expected to deliver in establishing links between expenditure and outcomes. The Committee will also use the level of figures allocated to equality statements in next year’s budget as an indication of the progression of mainstreaming policy.

Consultation and engagement with key stakeholders

17. As an important part of mainstreaming and equality proofing is consulting users for their views on the impact of policy, the Committee wished to establish how the Executive had consulted and whether they were content that stakeholders were engaged in the budget process. The Minister believed that the Executive makes “strenuous efforts to work with key stakeholders” and outlined the remit

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4 DRC, Col 68, Official Report, 7 October 2003
5 Scottish Executive, Col 106, Official Report, 28 October 2003
6 DRC, Col 78, Official Report, 7 October 2003
7 Equality Proofing Budget – research report and Executive response, Scottish Executive publications, 05/09/2003
8 Scottish Executive, Col 106, Official Report, 28 October 2003
9 Scottish Executive, Col 108, Official Report, 28 October 2003
and membership of the Equality Proofing Budgets Policy and Advisory Group (EPBPAG)\textsuperscript{10}.

18. In addition, the Executive is confident that, as outlined in the Executive’s Equality Strategy, developing consultation with different communities within policy areas across the Executive has led to improved dialogue with stakeholders. The Executive stated that it expects “better engagement around the setting of priorities and the determining of objectives and targets” as a result. \textsuperscript{11}

19. The CRE emphasised the need to assess the impact of spending and to feed this information into subsequent budgets\textsuperscript{12}. The Minister in response to questioning stated that the Executive needs tools for impact assessment and that the issue is on the budget group’s agenda (EPBPAG). The Minister also set out the Executive’s commitment to a detailed approach, explaining that “Conducting impact assessments is a sophisticated exercise. We have decided to do that properly, rather than to make a token effort”.\textsuperscript{13}

20. The Scottish Women’s Budget Group called for the Equal Opportunities Committee to “continue to ask questions not only about the existence of equality impact assessments, but about evidence that they have been done.”\textsuperscript{14}

21. The Committee views impact assessments as key to assessing the effectiveness of the Executive’s mainstreaming policy and recommends that the Executive report the findings of its work on equality impact assessments to the Equal Opportunities Committee on an ongoing basis.

Accessibility

22. The DRC felt that there had been improvement in presentation and language of the budget documents. However, they expressed their disappointment that the budget documents were not made available in alternative formats for disabled people. The CRE also thought that the possibility of translations on the budget should be considered.

23. The Executive stated that there had not been demand for the budget to be made available in alternative formats but that they recognised that they should be able to respond to any such demand.

24. The Committee accepts the difficulties associated with balancing accessibility with public money but requests fuller information from the Executive concerning how they propose to respond to any demands in future and the level of demand that would dictate any review of policy in this area.

\textsuperscript{10} Scottish Executive, Col 109, Official Report, 28 October 2003  
\textsuperscript{11} Scottish Executive, Col 108, Official Report, 28 October 2003  
\textsuperscript{12} Commission for Racial Equality, Written Submission, EO/S2/03/4/3  
\textsuperscript{13} Scottish Executive, Col 110, Official Report, 28 October 2003  
\textsuperscript{14} Scottish Women’s Budget Group, Col 78, Official Report, 7 October 2003
Attitudes to Discrimination in Scotland

25. The Committee heard from Professor John Curtice on 7 October 2003, the results of the Attitudes to Discrimination in Scotland research\(^{15}\), which highlighted particular areas of discriminatory attitudes towards gay men and lesbians and minority ethnic groups. As this research was published by the Executive, the Committee wished to establish how it planned to use these findings and how they might impact on future budgets.

26. The Minister stated that the report gives insight to and a steer for the work that is being done by the Executive in tackling equality issues currently. The Executive will also be looking at the specific points that it raises, particularly with respect to gay and lesbian issues. In this respect the Committee was particularly interested in the concerns raised by the Equality Network regarding the allocation of monies to the Anti-Bullying Network to target homophobic bullying in schools and the Minister gave an undertaking to respond to concerns.

27. The Committee will monitor with interest the application of this research in both the context of the budget and the Executive’s Annual Equality Strategy.

Delegated Expenditure

28. The Equality Network emphasised the need for the Executive to ensure that public bodies “encourage equal opportunities, by monitoring public bodies' equality activity, and by promoting best practice”\(^{16}\) and the DRC pointed out the role of local authorities in “addressing inequality through the provision of key services.”\(^{17}\) The Committee wished to establish what action the Executive is taking to ensure that equality policies are monitored and promoted at local authority level.

29. The Executive stated that the new best value regime addresses these concerns which it believes sets out a framework of continuous improvement within which local authorities have to take into consideration the need to comply with equal opportunities legislation requirements.

30. The Local Government in Scotland Act 2003 introduced a statutory duty of best value on local authorities. Included in guidance issued by the Executive to local authorities was the stipulation that, in order to comply with equal opportunities legislation, local authorities should conduct equal pay reviews of their staff.

31. The Committee commends the Executive’s work in this area and will continue to monitor the implementation of the new best value duty under the Local Government in Scotland Act 2003.


\(^{16}\) Equality Network, Written Submission, EO/S2/03/4/4

\(^{17}\) DRC, Col 66, Official Report, 7 October 2003
Conclusion

32. The Committee commends the progress the Executive has made in its mainstreaming policy across departments, which it believes is reflected in the development of equality statements in this year’s draft Budget. However, the Committee wishes to see further attachment of figures to equality objectives and believes that stronger links must be made between spending and outcomes. The Committee notes the Executive’s hope that improved target setting within the 2004 Spending Review will lead to better linkage between expenditure and outcomes and it will monitor developments.

33. The need to conduct equality impact assessments in order to properly take forward mainstreaming equality policy was highlighted in evidence to the Committee. The Committee notes the Executive’s undertaking to develop detailed work in this area in conjunction with the Equality Proofing Budgets and Policy Advisory Group (EPBPAG) and requests that the Executive keeps the Committee informed of how this policy develops.

34. Overall, the Committee considers that the progress made by the Scottish Executive in mainstreaming equality is clearly reflected in the draft Budget 2004/05. However, the Committee looks forward to seeing mainstreaming equality policy moving further forward and will progress its own future consideration of specific issues within this policy development in consultation with stakeholder groups.
The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. The Finance Committee requested the Health Committee respond to seven questions regarding the Health chapter of The Scottish Executive Draft Budget 2004-05 (FI/S2/03/6/2). These are set out in paragraphs 2 to 43 of this report. A persistent problem for the Committee has been that such a large proportion of the health budget is delegated to NHS Boards to allocate, and very little information is available on how this will be used. In paragraphs 44 to 54 the Committee sets out its concerns and explores some possible ways in which this expenditure could be scrutinised in future years.

REPLIES TO THE SEVEN QUESTIONS

Question 1: Is the Committee satisfied that any outstanding issues from last year have been addressed in the budget proposals?

2. In November 2002 the Health Committee made a number of specific recommendations to the Finance Committee on the Draft Budget for 2003-04. These are summarised below, together with commentary of any evidence of action in either the Draft Budget 2004-05 or from oral evidence¹.

2002 Recommendation 1

All NHS Boards should provide details on how their allocations are accounted for and that the information is publicly available.

No evidence of this being addressed from the Draft Budget document.

¹ Unless otherwise stated, “oral evidence” refers to the evidence provided by the Minister for Health and Community Care, and the Chief Executive and Finance Director of NHS Scotland on 30 September 2003.
3. The allocation for each NHS Board is given in Table 5.03. There is text on "What the budget does" and a "Statement of priorities". However, there is no information on what will be allocated to each priority, or what proportion of NHS Board spending is covered by these priorities.

4. The Chief Executive of the NHS said that all NHS Board spending decisions were in the public domain via annual accounts and financial reports, and that all spending decisions were made at public NHS Board meetings (col 212).

5. The Executive said that they were willing to work on a way of collating data on five-year spending plans from NHS Boards for the Committee (col 214). This would be helpful but more needs to be done to address this recommendation.

2002 Recommendation 2

The Executive should take steps to gather evidence to enable the contributions to improving health by spending in different areas to be systematically compared. The Committee seeks an indication from the Executive as to the timescale over which progress could be anticipated.

No evidence of this being addressed from the Draft Budget document.

6. In oral evidence to the Committee the Minister said this was a matter of judgement. Two examples illustrate this—

When talking about cancer money, the Minister said the only outcomes that could be monitored were the impact on waiting times and the long-term impact on mortality data. However, there is a problem of attributing any changes in these variables to the additional spending.

The second example was when the Minister was questioned about the amount of money spent on research. He said that this was a difficult choice involving trade-offs with cancer spending, etc.

7. The Committee's approach is arguing for an evidence base upon which such decisions could be made.

2002 Recommendation 3

While welcoming the Minister's commitment, the Committee recommends that the Minister clarify the mechanisms he intends to use to involve the public in both local and national decision-making. The Committee also has concerns that although consultation takes place there is no commitment at either local or national level to implement matters raised during the consultation process.

No evidence of this being addressed from the Draft Budget document.

8. In oral evidence this was discussed at length. The main issues relating to the budget were—

- transparency in presentation so that the public could understand and comment; and

- expenditure on consultation at present and whether there was evidence it was money well spent.
9. The Minister confirmed that this was one of his two policy priorities but still made no specific commitments.

2002 Recommendation 4

*The Executive should set minimum standards so as to address postcode issues in the provision of care and provide equality of access to services.*

No evidence of this being addressed from the Draft Budget document.

10. In oral evidence the Minister said that the implementation of NHS Quality Improvement Scotland (NHS-QIS) recommendations was already policy. He said this would be extended to the Scottish Medicines Consortium (SMC) guidance as well (col 236). The Chief Executive of the NHS gave a commitment to contact the Committee with a timescale by which information about implementation of SMC guidance will be available (col 237). However, this only relates to prescribing; other areas (making up 85% of the NHS budget) were not discussed.

2002 Recommendation 5

*The Arbuthnott formula should be revisited, specifically in relation to the link between increased spending and targeted reductions in inequalities. The Committee is not convinced that the formula provides the appropriate localisation of Arbuthnott principles for NHS Boards to address inequality at a local level.*

No evidence of this being addressed from the Draft Budget document.

11. In oral evidence, the Chief Executive of the NHS said that it was up to NHS Boards how they allocated their money. However, local performance was regularly reviewed. He said that the Arbuthnott principle applied most directly to community services (including primary care) and he would expect the needs of deprived groups for these services to be recognised (col 205). He did not state how this would occur in the course of his review. However, the Minister said boards’ performance would be monitored using the inequalities indicators in the PAF. (col 207)

2002 Recommendation 6

*The Executive should provide details of all PFI contracts.*

No evidence in the Health chapter but values of contracts is included in Table 0.07 on page 6 of the Draft Budget.

12. The Minister provided further information on the value of contract and annual payments made in a document forwarded to the Committee on 29 September 2003 (Tables 28 and 29, pages 36 and 37). In addition, the Executive made a previous commitment to put copies of contracts for PFI/PPP Hospital projects in the Scottish Parliament Information Centre (SPICe) library, which is now the case.

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1 This document is available in hard copy only, from the clerks to the Health Committee
2002 Recommendation 7

Given that NHS inflation tends to be more rapid than in the rest of the economy, it might be more informative if the report were also to indicate the rate of increased spending taking account of the higher rate of health service inflation.

No evidence of this being addressed from the Draft Budget document. However, the Committee recognises that this may contravene "style rules" for the Budget document.

2002 Recommendation 8

In order to be able to scrutinise the budget effectively, and to allow for informed public debate of local priorities the Committee believes that NHS Boards require to give more information on spending. The Executive should explore making such information available on its website.

No evidence of this being addressed from the Draft Budget document, but see discussion of first recommendation in this section above.

2002 Recommendation 9

Money should be allocated from the new resources to provide comprehensive chronic pain services throughout Scotland.

No evidence of this being addressed from the Draft Budget document

2002 Recommendation 10

Money should be allocated from the new resources to provide neurological services and to increase the number of neurologists and neurological nurses in Scotland.

No evidence of this being addressed from the Draft Budget document.

13. In summary, it seems that there has been some progress on the "equality of access" recommendation. In addition, the Committee is also convinced that the Minister recognises the need to increase meaningful public involvement, although some firm proposals would be desirable.

14. In several other respects there is no evidence of any changes stemming from the Committee's previous recommendations. The Committee has sympathy with some of the problems the Executive faces but is concerned at the lack of progress and wishes to see a timetable and plan for progress. The recommendations about transparency and an evidence-base for budget decisions will be repeated in this document, in order to improve scrutiny in Committee and more generally to encourage public involvement.

15. The Committee intends to write to the Minister to ask about progress in early January 2004.
**Recommendation:**
The Committee recommends that the Executive review and respond to recommendations 1, 2, 3 and 8 above, in particular.

**Application of the Arbuthnott Formula**

16. The Committee is also concerned about the way the Arbuthnott formula has been applied. Arbuthnott applies principles that command general support, even if there is disagreement about the way in which they are worked out in detail. However, the formula is only applied to the national budget to allocate it between NHS Boards. The Committee’s concern is that if these same principles are not followed when the NHS Boards come to allocate the money then this good work could be undone.

17. In oral evidence, the Minister re-stated his view that the formula was only intended to allocate money to boards; how they spent it after that was their own decision. However, the Executive would monitor the results of those decisions though the PAF, which includes several inequalities indicators. He acknowledged that the situation was imperfect (“I am not saying that the situation cannot be improved.” (col 207)). However, new developments such as the GMS formula (which is worked out at practice level and therefore guides money to specific areas) and the proposed "unmet need" adjustment would continue to channel money towards deprived populations.

18. The Committee is still not completely reassured and recommends that more data be made available to increase the transparency of this process.

**Recommendation:**
The Committee recommends that the Executive consider the application of the Arbuthnott principles within NHS Board populations.

The Committee recommends that the Executive should be able to clearly demonstrate that the money is getting to the neediest groups, as specified by Arbuthnott.

In addition, the Committee asks the Executive to supply data on the financial allocation to each NHS Board showing how much each board gains or loses relative to the national average as a result of (i) the socio-economic deprivation in its population, (ii) the rurality or geography of the area it covers, and (iii) the demographic structure of its population. These three elements should be stated separately for each of the fifteen NHS Boards for the current financial year (2003-04).
Question 2: Is the Committee content with the additional funding proposals made by the Executive under the Partnership Agreement, or would it suggest alternative uses of such funding?

19. This document includes aggregate additional funding to address issues in the Partnership Agreement; however, there is no indication of how it will be allocated. In a letter to the Committee dated 29 September 2003 (attached in the Appendix to this Report), the Minister said—

I am still considering how the additional funding provided to the Health Department may best be used to implement the Partnership Agreement initiatives.

20. In oral evidence, the Minister gave four reasons why this information was not in the Draft Budget. These were—

- the finance minister’s announcement was late;
- some funds are already committed while others are part of existing budgets;
- some spending announcements are forthcoming; and
- some spending will not take place until the fourth year of this session of the Parliament (cols 231-232).

21. The Committee accepts the difficulties faced by the Executive given the timetable for the Budget document. However, very few details are available of the cost or funding for Partnership Agreement commitments. The Committee is aware that when this section of the Agreement was being drawn up each line was costed by the Executive (col 231).

Recommendation:

The Committee recommends that the Executive should make these details available as soon as possible. The Executive is requested to write to the Committee in the very near future stating an anticipated date when these figures will be available.
Question 3: Does the Committee wish to recommend a spending priority for use of unallocated EYF funding in its portfolio?

22. In oral evidence to the Committee the Minister said that the £24 million of EYF was in the money allocated to NHS Boards and was being carried forward - it had not been earmarked for a specific purpose and given the small amount of EYF this year, the Committee is content with this position.

Question 4: Does the Committee wish to recommend any specific changes to programme budgets within the portfolio? If so, where should programmes be increased, and where should compensatory reductions be made?

23. The Committee notes the lack of an evidence base for making these decisions. The Minister made several references to difficult decisions having to be made, but it is not clear what evidence he bases these decisions upon.

24. For example, when questioned about additional spending on research the Minister said he recognised the problem but he would have to take it from someone else. However, it is possible that the benefits of more research might outweigh the losses elsewhere: we simply do not know, and no evidence base is being developed to address this point. Another example came when the Minister was pressed on how he would measure the outcomes of spending on cancer services: he answered that the spending could be tracked to new staff and equipment, that this should lead to shorter waiting times and that ultimately there should be some shift in mortality data. The problem is attributability - if mortality data go down how can we be sure it was due to the £10 million spent five years earlier?

25. Finally, when pressed on how he could be sure that the waiting time initiative was the best use of spare resource when he did not know how much it costs, the Minister replied—

   Obviously a judgement has to be made. (col 241).

26. The Committee agrees that judgements must be made but distinguishes between judgements made on the basis of evidence from those based on less clear criteria.

Recommendation

The Committee made a recommendation last year about outcomes, which has been repeated again under Question 1 above. The Committee recommends that the Executive carry out feasibility studies on this issue and makes a report of these available. It should also inform the Committee of its timetable for carrying out this work.
Question 5: Does the Committee feel that the portfolio priorities are appropriate and are reflected in the budget proposals?

27. In oral evidence, the Minister stated that there is considerable overlap between the portfolio priorities and national priorities (col. 202). He said he would welcome any evidence that the two lists were not compatible. While the Committee does not believe they are incompatible there are certainly differences in emphasis, as the table below shows—

<table>
<thead>
<tr>
<th>National priorities</th>
<th>Portfolio Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service redesign</td>
<td>Yes</td>
</tr>
<tr>
<td>Cancer</td>
<td>Yes</td>
</tr>
<tr>
<td>Coronary Heart Disease /stroke</td>
<td>Yes</td>
</tr>
<tr>
<td>Mental health</td>
<td>Yes</td>
</tr>
<tr>
<td>Health improvement</td>
<td>Yes</td>
</tr>
<tr>
<td>Waiting times</td>
<td>Yes</td>
</tr>
<tr>
<td>Financial breakeven</td>
<td>Yes</td>
</tr>
<tr>
<td>Workforce development</td>
<td>Yes</td>
</tr>
<tr>
<td>Access to primary care within 48 hours</td>
<td>Yes</td>
</tr>
<tr>
<td>Health Care Associated Infection</td>
<td>Yes</td>
</tr>
<tr>
<td>Public involvement</td>
<td>Yes</td>
</tr>
<tr>
<td>Continue Arbuthnott</td>
<td>Yes</td>
</tr>
<tr>
<td>More staff</td>
<td>Yes</td>
</tr>
<tr>
<td>More community places/delayed discharge</td>
<td>Yes</td>
</tr>
<tr>
<td>Roll out NHS 24</td>
<td>Yes</td>
</tr>
<tr>
<td>Personal/nursing care for the elderly</td>
<td>Yes</td>
</tr>
<tr>
<td>Audiology review</td>
<td>Yes</td>
</tr>
<tr>
<td>Abolish NHS trusts</td>
<td>Yes</td>
</tr>
<tr>
<td>Develop regional planning</td>
<td>Yes</td>
</tr>
<tr>
<td>Develop Performance Assessment Framework</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Note: There are 12 national priorities and 14 portfolio priorities. Only 5 are common to both lists.

28. It is surprising that waiting times and hospital infection do not feature among the portfolio priorities. The Minister also picked out public involvement as one of his highest priorities (together with service redesign). This does not feature among the portfolio priorities either.
29. The following table sets out the portfolio priorities and any possible links to the budget—

<table>
<thead>
<tr>
<th>Portfolio Priority for 2004-5</th>
<th>Budget link</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop and deliver Health Improvement programme</td>
<td>Spending on this programme was £44.54m in 2003/4 and is planned to be £43.56m in 2004/5. SEHD might argue NHS Boards should be acting locally as well.</td>
</tr>
<tr>
<td>2. Prompt redesign, partly through Centre for Change and Innovation</td>
<td>No specific budget for CCI. Most action likely to be at NHS Board level. Some spending sub-programmes could be included under this heading e.g. Changing Children's Services Fund (£15m planned for 2004/5, the same as in 2003/4)</td>
</tr>
<tr>
<td>3. Priority diseases (cancer, CHD, stroke, mental illness)</td>
<td>Under National Priorities sub-programme Cancer funding in 2004/5 is the same as for 2003/4 (£25m) For CHD/stroke the funding rises from £10m to £15m There is no line for mental illness but some examples of the services include the Mental Wellbeing Fund (up from £5m in 2003/4 to £6m) and Mental Health Act Implementation (£2m to £5m) However, SEHD would argue that the vast majority of the actions to tackle these diseases would be funded at NHS Board levels.</td>
</tr>
<tr>
<td>4. Treat more people in hospitals</td>
<td>This would be part of the general uplift to the NHS Boards.</td>
</tr>
<tr>
<td>5. Increase staff numbers</td>
<td>This would be part of the general uplift to the NHS Boards.</td>
</tr>
<tr>
<td>6. Invest £30m in 1000 more community places</td>
<td>This is included in the National Priorities sub-programme under the heading &quot;Delayed Discharges&quot; (£30m in 2004/5, as stated)</td>
</tr>
<tr>
<td>7. Improve personal/nursing care for the elderly</td>
<td>The Community Care sub-programme in 2004/5 is planned to be £55m, the same as in 2003/4. Most of this expenditure would come from non-health budgets.</td>
</tr>
<tr>
<td>8. Roll out NHS24</td>
<td>Under the National Priorities sub-programme, NHS24 is planned to receive £35m in 004/5, compared to £32m in 2003/4</td>
</tr>
<tr>
<td>9. Funding for audiology</td>
<td>Not separately specified - unclear whether this is to come from national funds of from NHS Boards</td>
</tr>
</tbody>
</table>
10. Invest £250m in hospitals, primary care and IT
   Presumably this is part of the uplift of £361m to NHS Boards?

11. Apply funds using Arbuthnott formula
   No direct additional funding implications?

12. Develop PAF (and Performance Incentive Framework)
   No direct additional funding implications?

13. Develop regional planning
   No direct additional funding implications?

14. Abolish NHS trusts
   There is a heading under the National Priorities programme called NHS Reforms but it is not clear to what this refers (planned spend of £15m, in 2004/5 compared to £13m in 2003/4)
   The Finance Committee will be aware from oral evidence (7/10/03) that SEHD believes the cost of the reforms is not easy to estimate.

30. Commenting on links between priorities and the budget, the Minister said there is overlap between priorities so it is not possible to cost each one discretely. The Committee appreciates that a redesign of cancer services based on patient involvement to reduce waiting times would cover at least four priorities; there is some sympathy with the Minister's view. For example, the Chief Executive of the NHS admitted that it is not possible to work out the cost of meeting waiting time targets (col 241).

31. However, the Committee finds it difficult to see how the Parliament can be reassured that the budget is being used to obtain "best value" if these data are not at least estimated.

32. The Committee is generally content with the other aspects of portfolio priorities, although surprised that waiting time reduction is not mentioned. The Minister picked two priorities out as being especially important: these were service redesign and public involvement. The Committee has some concerns that neither of these has a specific budget allocated (while appreciating the difficulties involved) and no direct measurable target that will allow the Committee to judge success or otherwise in twelve months time.

**Recommendation**

The Committee recommends that the Executive performance on service redesign and patient involvement can only be monitored if targets are set that adhere to the SMART principles (i.e. targets that are Specific, Measurable, Achievable, Relevant and Time-limited). The Committee requests that the Executive should set out these targets in writing as soon as possible.
Question 6: Is the Committee satisfied with the performance information contained in the chapter, and does it feel that the links between aims, budget and targets are properly integrated?

33. The performance information contained in the chapter is confined to the different sections on targets and progress for each of the four programmes. The following table shows the progress made on the 14 targets, which are set out at the start of the Health chapter of the Draft Budget—

<table>
<thead>
<tr>
<th>Target</th>
<th>Date</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce premature mortality from cancer, CHD and stroke</td>
<td>By 2010</td>
<td>On track, based on data from circa 2002</td>
</tr>
<tr>
<td>Smoking reduction</td>
<td>By 2010</td>
<td>Last progress report 1998</td>
</tr>
<tr>
<td>Excess alcohol reduction</td>
<td>By 2010</td>
<td>Last progress report 1998</td>
</tr>
<tr>
<td>Primary care access within 48 hours</td>
<td>By April 2004</td>
<td>Does not relate to period of budget under scrutiny</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stated that boards have agreed a date for compliance, but what does this mean? Have they all agreed on 31/3/04?</td>
</tr>
<tr>
<td>Out patient maximum wait of 6 months</td>
<td>End 2005</td>
<td>87% compliance as at 31/3/03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>National Waiting Times Unit (NWTU) working on it</td>
</tr>
<tr>
<td>Cancer maximum wait from diagnosis to treatment of 2 months</td>
<td>By 2005</td>
<td>No data - first report expected for quarter ending 31/12/05 (i.e. won't be available until around 15 months after target date). In his oral evidence the Minister admitted weaknesses in the database. However, he said, &quot;The general view of clinicians is that the target is reasonable and achievable.&quot; (col 240).</td>
</tr>
<tr>
<td>In-patient maximum wait of 6 months</td>
<td>End 2005</td>
<td>8,961 people exceeded limit as at 31/3/03. NWTU working on it</td>
</tr>
<tr>
<td>12,000 more nurses and midwives</td>
<td>By 2007</td>
<td>Progress not clearly reported - one line about &quot;400-600 nurses return to practice&quot; but progress is given as &quot;March 2004&quot;. In his oral evidence the Minister said 3,000 more nurses (new and returning) had been appointed to date (col 232).</td>
</tr>
<tr>
<td>Publish clinical quality framework</td>
<td>April 2004</td>
<td>Not in target period</td>
</tr>
<tr>
<td></td>
<td></td>
<td>QIS consulting on draft in 2003</td>
</tr>
</tbody>
</table>
Significant progress on hospital hygiene & infection | April 2003 & each year thereafter | Not clearly reported. QIS & Audit Scotland will carry out audits
---|---|---
Elderly at home (reduce delayed discharges) | Each year to March 2006 | Getting numbers of “blocked beds” down, but last data reported are for 15/7/02
The Committee notes the latest figures are disappointing.
Free personal care for all eligible | By 2005 | No data reported

34. In addition, sections on progress scattered throughout the Health chapter report several other targets (e.g. public involvement strategy, research strategy).

35. The Committee is concerned that the targets set are not always easy to monitor as they do not adhere the SMART principles. Ideally, longer-term targets would also have an interim target (or report recent data), and include a clear statement on whether the targets are likely to be achieved.

36. This table considers the information on the 14 targets under these headings—

<table>
<thead>
<tr>
<th>Target area</th>
<th>SMART</th>
<th>Recent data</th>
<th>Prediction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortality reduction</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Lifestyle change</td>
<td>Yes</td>
<td>1998</td>
<td>No</td>
</tr>
<tr>
<td>Maximum waiting time</td>
<td>Yes</td>
<td>2002</td>
<td>No</td>
</tr>
<tr>
<td>Quality issues</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Care of elderly</td>
<td>No</td>
<td>2002</td>
<td>No</td>
</tr>
</tbody>
</table>

37. This reveals the considerable differences between the targets and progress reported. The most satisfactory targets are those for health improvement. On the other hand the least satisfactory are the "quality issues" (more nurses, publish framework, progress on hygiene). Only one of these has a quantified target, but in no cases has progress been clearly reported. Unsurprisingly, no predictions are made of whether these targets will be achieved.

38. In summary, the performance information is very mixed. Some aspects adhere to SMART standards, notably those relating to health improvement. Others refer to year-on-year unquantified progress as a target (e.g. on hospital hygiene), or do not have the most recent data (e.g. additional staff numbers, delayed discharges). The major concern is the lack of data to monitor progress on waiting time targets in the management of cancer patients. The Budget document
states no data will be available until after the target date is passed. The Minister defended this on the basis that clinicians thought the target was reasonable; however, the Committee is concerned that progress towards this cannot be monitored.

**Recommendation**

*The Committee recommends that the Executive take urgent steps to review and improve the data available for monitoring the cancer waiting times targets. In future all targets set by the Executive should adhere to the SMART principles.*

39. The other aspect of the Finance Committee question is the integration between aims, budgets and targets. There is some integration between aims and targets, although this is imperfect: there is not a clear statement where aims and targets are linked, raising concerns that there are aims without targets, and vice versa. The integration with the budget is poor, however, as noted in answer to Question 5 above. In oral evidence the Minister defended the lack of links on the grounds that there was a lot of overlap between different budgets and different targets, so there was considerable cross-cutting over programmes.

40. The Committee accepts the problems faced in “ring fencing” money to a single target. However, the opposite extreme is equally unsatisfactory. For example, the Chief Executive of the NHS stated that the total cost of meeting waiting time targets was not known. The Committee wonders if the Executive would find this an acceptable stance if it were adopted by an NHS Board. It is difficult to see how the Executive, the Health Committee or the Parliament can tell the public their money is being wisely spent when it does not know what its policies cost. The Committee accepts that there are difficulties when services are demand-led, but seeks estimated figures so as to be able to do its job in scrutinising the use of taxpayers' money.

**Recommendation**

*For accountability purposes, the Executive is urged to find ways to at least estimate the cost of its policies and targets within the Budget. The Committee requests evidence of progress in this direction in the next budget document.*
Question 7: Does the Committee have any comment on the sections covering the cross-cutting issues of: closing the opportunity gap; sustainable development; and equality?

41. The Committee found the sections on “Closing the Opportunity Gap” and “Equality” helpful, as equity is a major policy issue in the health field. This section had lots of detail but the sums of money involved were relatively small at £49m or 0.6% of the health budget (with the vast majority of this going on only two of the projects mentioned).

42. More generally, the Executive could have made more of this section, including—

- the allocation of funds based on the Arbuthnott principles within NHS Boards; and
- steps to address “postcode prescribing” through the Budget. In his oral evidence the Minister accepted that this section could have looked at equity issues in more detail (col 235).

43. The section on “Sustainable Development” is important and the Committee is pleased that this is being scrutinised. However, the information was not within the Committee’s specific competence to scrutinise.

Recommendation

If these sections are retained in future Budget documents the Committee recommends that the Executive make a full statement of its policy on equality including more specific proposals and links to expenditure plans.

DISCUSSION OF BUDGET SCRUTINY IN FUTURE YEARS

44. Having answered the seven questions above, the Committee notes the similarity between the themes in this year’s report to the Finance Committee and those in equivalent reports in Session 1 of the Parliament.

45. The most obvious concern is that spending for two-thirds of the budget allocated to this portfolio is delegated to local NHS boards; this represents over £5 billion, approximately one-quarter of the money available allocated in the draft budget. There are three routine sources of data on how these funds are used—

- national targets are set either directly by the Executive or through one of its agencies such as NHS Quality Improvement Scotland, and these are monitored principally through the Performance Assessment Framework (PAF).
- the strategies of NHS boards made available through local health plans (updated annually), NHS strategy papers, etc. made available through public NHS board meetings
the published and audited accounts of NHS boards, including the database "Scottish Health Service Cost Returns" which is collated annually by the Information and Services Division (ISD) of the NHS.

46. While all of these offer insights, they fall some way short of a comprehensive view of how these funds are to be used. This can be demonstrated by considering the situation that the Health Committee anticipates for April 2004 when it is asked to scrutinise the draft plans for the 2005-06 budget. The Committee will have available—

- the PAF data from Accountability Reviews carried out in the summer of 2003, relating principally to performance in 2002. The Executive also reports progress against medium to long-term targets - this is helpful, but it is unclear what proportion of NHS activity is covered by these targets. We do not know that progress in an area with a target is a marker for progress in an area without a target - indeed, if resources are diverted from areas without targets then the achievement of a target might be masking less satisfactory performance elsewhere. For example all of the energies of hospital managers make go into meeting infection control targets while other areas suffer from relative neglect.

- the five-year health plans from NHS boards, which are often updated annually. There are at least four problems with using these documents for budget scrutiny—
  - First, based on performance in previous years some boards will have draft copies of this paper publicly available in April 2004 but others will not make them available until later in the year and some will not issue any annual update. A review of NHS board websites at present suggests five of the twelve mainland NHS boards did not issue a new plan in 2003.
  - Second, while these plans give a full account of how "growth money" (usually less than 5% of the total) will be used, in the past they have not described the detail of how "existing money" is to be used.
  - Third, the detail available has usually related to the financial year that has just started (in this case 2004-05) rather than the financial year for the national budget plans (i.e. 2005-06).
  - Fourth, even when these data are available the detail is only available by reading each one - the Executive do not collate these data for public consumption.
  - the ISD data such as Scottish Health Service Cost Returns will also relate to 2002-03, which is two full years prior to the period that the Committee is considering. This document does not report changes over time, so it is not straightforward to monitor "direction of travel", although this could be done with further work to compare documents from each year. Much of the data is available by the classification of the health care unit, and not be disease treated.
47. So in summary, the Committee will be reviewing plans for 2005-06 and the evidence available will be—

- PAF data on performance two years ago (and even less recently for some indicators);
- health board and hospital cost returns two years ago; and
- local health plans for the five-year period beginning 2004-05 (and 2003-04 in some cases) but with detail heavily concentrated on the use of growth money at the start of this period (i.e. one year before the national budget period that is under scrutiny).

48. This is illustrated in the following diagram, with the Committee’s scrutiny taking place at the start of 2004-05—

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAF</td>
<td>Latest data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(some much earlier)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost returns</td>
<td>Latest data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local health plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

49. There will also be data on how the NHS as a whole is moving towards the achievement of national targets (such as waiting time guarantees). However, these do not help to see how individual boards are performing.

50. The Committee recognises that there are difficulties to providing the level of detail it seeks. Two examples from the oral evidence given on 30 September 2003 illustrate this—

Example 1: Cancer budget

When questioned about the use of the budget allocated for cancer the Minister said it was possible to track how all of the money had been used in buying inputs to the care process (such as staff, equipment, etc.). However, it was more difficult to say what activity this had made possible and outcomes could only be measured through waiting time reductions and long-term impacts on survival rates five years after diagnosis.¹

Example 2: Waiting times budget

The Chief Executive of NHSScotland was asked how much money was being allocated to meeting waiting time targets. He said that while it was possible to say how much was allocated to national initiatives, such as the Golden Jubilee

¹ Health Committee Official Report, 30 September 2003, col 227ff
National Hospital, it was not possible to say how much was being spent at local level. He explained that it would be difficult to say what proportion of a hospital bed was allocated to waiting-time work as opposed to other work.¹

51. The impression this gives is of a system where management commission more inputs (staff, equipment, buildings) that clinicians (principaliy doctors, but increasingly other professionals) decide how to use to meet demand from patients. Management use national targets and initiatives to influence behaviour in particular ways and areas. However, quarterly data on waiting times and delayed discharges do not always move in the desired direction, suggesting this influence either does not always work or is sometimes outweighed by other factors.

52. The £5 billion-plus going to local NHS boards thus seems to buy inputs (mainly staff) rather than specific items of work. The way the NHS performs in terms of national policy concepts such as cancer, waiting times, or hospital infections are the products of more than 100,000 employed staff making numerous decisions every day. Assuming that it is possible to debate how much will be spent on cancer in any given area in the next financial year is to impose “top down” thinking on a “bottom up” system. Local management may well feel that the only thing they truly control is how growth money is used.

53. This creates a dilemma for the budget scrutiny role of the Health Committee: how can it say whether or not more than £5 billion of taxpayers’ money is being used to get the best value for money? The Committee has considered five options, as follows—

- **Option 1: The “status quo” option**

  The Health Committee continues to ask for the data it perceives it needs to do its job, which the Executive feels it cannot supply. The Committee can make very few judgements about whether the £5 billion represents good value or not. The chances of meaningful dialogue resulting are minimal; the result is frustration on all sides a.

- **Option 2: The “PAF” option**

  The Health Committee confines its attention to the available targets used by the Executive to monitor NHS boards but looking at the broad “direction of travel”. This is certainly feasible, especially if the Executive agrees to analyse and present data on time trends in the PAF indicators for each NHS board. It would also encourage debate with the Executive on the development of the PAF and other national targets, which are topics that the Executive is most likely to feel comfortable with. However, this debate will be about data on performance from at least two years prior to the budget period in question.

- **Option 3: The “inputs” option**

  Judging from the Minister’s answer to the question about cancer money (in Example 1 above), the NHS finds it easiest to deal with questions about the use of funds by responding with data about inputs commissioned rather than

¹ Health Committee Official Report, 30 September 2003, col 241
activities or outcomes. The Committee could accept this as a fact of life and seek to monitor NHS boards in terms of current input levels, time trends and plans. This would allow the Committee to make some comments in terms of how the NHS boards used the money allocated to them. It may also be easier to ask about inputs rather than particular types of operation, etc. where the questions might require technical knowledge. Data are currently collated by ISD and it might be possible for these to be reported for budget scrutiny, but these are retrospective so it might also be necessary to quiz NHS boards on what their priorities are for use of growth money in this respect. Some of these data are already available in the PAF and this could be the basis for further change.

- **Option 4: The “historic spend” option**

This option relies on the assumption that things change fairly slowly in the NHS because staff are on long-term contracts and demand for health care is stable over time. If this is an acceptable approximation then data on spending patterns last year are a reasonable proxy for what will happen in the future (after allowing for time trends). The contention would be that if we could tell from existing data that an NHS board spent £X million on cancer services in 2002-03 then (with suitable adjustments) we could estimate what it will be spending in 2005-06. Diagnosis is routinely recorded for hospital admissions so some estimate of spend on diseases would be possible. However, less information is available on out-patient data, primary care and community services so the figures produced could only be estimates. A second problem is that these data are not routinely available and further work would be required to produce them. A third problem is that anything that went beyond spending on diseases (e.g. spending on waiting times, on hospital infections, etc.) would require NHS boards to reply to a specific survey.

- **Option 5: The “proxy outcomes” option**

The options above all suffer from the deficiency that they lose the focus on outcomes. If we accept that the main purpose of the NHS is to improve peoples' health above the level that would have existed without intervention, then this is of concern. Different services give different levels of health improvement and at different costs; there is a voluminous literature on which services represent “the best value”. Such judgements are not easy but the key is to appreciate that such judgements are already being made implicitly.

When the NHS decides to employ a consultant orthopaedic surgeon rather than two smoking counsellors, it is making a judgement that reductions in orthopaedic waiting times are to be preferred above stopping people smoking, for example.

Work carried out by NICE and similar bodies has started to shed some light on services that offer especially good value and less good value. By analysing activity data from 2002-03 it should be possible to quantify how much progress NHS boards are making in carrying out selected “high value” activities and in cutting back on selected “low value” activities. As has previously been noticed, such judgements would be about past performance but they would have the benefit that they do relate to the desired outcome i.e. meeting as many needs
as possible within the budget available. As evaluation work continues, the lists of services that are good and less good value will grow over time to cover more of NHS boards' expenditure. This option would also need more work, but the activity data would be available from routine statistics. The PAF does this to some extent through analysis of the rates of some types of surgery e.g. hip replacement, cataract extraction.

54. The following table summarises these options—

<table>
<thead>
<tr>
<th>Options</th>
<th>Status quo</th>
<th>PAF</th>
<th>Inputs</th>
<th>Historic spend</th>
<th>Proxy outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow comment on NHS board allocation?</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Health gain is central?</td>
<td>No</td>
<td>In part - 8 out of 100 indicators</td>
<td>No</td>
<td>No</td>
<td>For a &quot;basket&quot; of services</td>
</tr>
<tr>
<td>Rely on retrospective data?</td>
<td>No</td>
<td>Yes</td>
<td>In part</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Additional effort involved?</td>
<td>None</td>
<td>None</td>
<td>Moderate - survey of boards?</td>
<td>Several months work</td>
<td>Modest</td>
</tr>
<tr>
<td>Encourage dialogue with SEHD and NHS?</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Equivocal</td>
<td>Fits with part of PAF, but goes beyond this - so yes</td>
</tr>
</tbody>
</table>

Each of the options has advantages and it is possible to explore several of them at the same time. After consideration, the Committee will explore the feasibility of developing the options on (i) inputs and (ii) proxy outcomes. The intention is that some of the data will be available in time to inform discussions of the 2005-06 expenditure plan.
Report from the Justice 1 and Justice 2 Committees to the Finance Committee on the Draft Budget 2004-05

General

1. At the outset, it is important to make clear that the Committees still remain dissatisfied with aspects of the Budget scrutiny process and the effectiveness of that process. To be able to hold the Executive to account in terms of the match between stated policy priorities and budget spending commitments, the budget information needs to be presented in a way which matches these up in a more transparent manner.

2. An obvious example of this problem is available below, where the Committees comment on the apparent failure of the Executive’s spending plans to reflect its priority commitment to reducing crime. The response of the Minister of Justice was essentially that the full effort of the Executive in tackling crime could not be seen simply by looking at the figures reported under the Justice Department budget¹ (or, indeed, that of the Crown Office and Procurator Fiscal Service).

3. The fact remains that the information provided in the Draft Budget is on a departmental basis. This makes it difficult for the Justice Committees to examine the full range of delivery of resources to tackle crime. The information provided does not allow this to happen. The Committees recommend that budget information also be presented on a programme basis (for example, ‘Justice’ or ‘tackling crime’) rather than simply on a Departmental basis as is the current practice.

4. In a similar vein, the Committees recommend that a consistent time-series of budget data must be made available if the Committees are to comment on trends in spending or to compare planned spending outcomes with a recognised baseline. In the recent past, reporting and accounting conventions have been changed without a comprehensive re-stating of consistent budget numbers for earlier years. This undermines attempts to compare spending against any base year earlier than 2003-04.

5. The remaining sections of the paper are designed to address the questions raised on behalf of the Finance Committee by Professor Arthur Midwinter, Adviser to the Finance Committee, in his paper ‘Guidance to Subject Committees’.

¹ At Col 62 Official Report 1 October 2003: the Justice Minister says: “It is not only the Justice Department or the justice budget line that will deliver on tackling crime. I have a responsibility to work closely with my colleagues—particularly with those with responsibility for education and communities—to ensure that resources are allocated in other departmental spending lines to assist in dealing with the priorities.”
Additional funding proposals and new resources

6. The Justice 2 Committee is currently considering the Vulnerable Witnesses (Scotland) Bill, and, based on evidence received from representatives of the Police Service, the Justice Committees believe that an adequate amount² should be allocated through Police GAE from 2004-05 onwards for the provision of reporting activities of police officers in this area.

7. The Lord Advocate indicated³ that the criminal confiscation unit and the civil recovery unit, set up by the Crown Office and Procurator Fiscal Service, were now beginning to generate significant amounts of money to the Treasury, 50% of which is returned to the Executive⁴. These funds are available for community initiatives. The Justice Committees recommend that these resources and their proposed uses should be made explicit, by the Crown Office and Procurator Fiscal Service listing their successful confiscation orders on an annual basis and for the Justice Department to detail the deployment of that resource.

Spending priority for use of unallocated EYF funding

8. The Committees received evidence suggesting that additional spending on non-custodial sentences would not only lead to lower re-offending rates but would also be much cheaper. Scottish Executive Statistical Bulletin CrJ/2003/1 of March 2003 provides some evidence on these effects. But it is clear that it would be desirable⁵ to have further evidence from comprehensive monitoring and evaluation of such schemes as compared to custodial alternatives. Criminal Justice Social Work had an underspend of some £7.1m in 2003-04 and the Committees would recommend that an adequate amount be made available for the evaluation of community sentences, bail supervision, and

² At Col 27 Official Report 1 October 2003, Douglas Keil (Scottish Police Federation) indicates: “For example, when we considered our work load in relation to vulnerable witnesses, we estimated conservatively that having to take just one statement on a witness’s vulnerability in addition to the sets of statements that normally go to court for each case would cost £1 million per annum.”
³ Col 92 Official Report 7 October 2003
⁴ At Col 92 Official Report 1 October 2003, Robert Gordon, Chief Executive of the Crown Office and Procurator Fiscal Service, indicates that the recent implementation of aspects of the Proceeds of Crime Act 2002 will lead to substantial sums being recovered: “The £500,000 represents what was brought in before the new powers came into force, so in 2004-05 we will benefit from the recovery of assets this year. That sum is likely to be more, given how cases are being dealt with.”
⁵ As the Minister for Justice at Col 82-83 Official Report 1 October 2003 recognises “We have a job to do in evaluating and proving what works and what is effective. In past years, we have not been as good at that job as we are becoming. For example, accreditation of programmes is important, as is monitoring and evaluation to ensure that we get a return on the resources that are made available.”
diversionary mediation and reparation – all to be evaluated against the custodial alternative⁶.

**Recommended specific changes to programme budgets: programmes increases and compensatory reductions**

9. In the Committees’ report on the 2003-04 Budget, the recommendation was made⁷ that the budget for secure accommodation be placed in the Justice Department budget. When appearing before the Committees on 7 October 2003, the Minister for Justice revealed that arrangements for supervising the secure accommodation estate had indeed been changed and that she now had that responsibility⁸. Yet the budget remains in the Education Department. The Committees recommend that funding and responsibility for supervision be aligned by relocating the budget for secure accommodation from the Education Department to the Justice Department.

**Committee views on appropriateness of the budget proposals in terms of the portfolio priorities**

10. Justice is said by the Executive to be a priority, but it remains difficult to see this when the Scottish Budget is scrutinised.

11. In the Justice Minister’s opening statement to the Committees, she chose to emphasise that between 2003-04 and 2004-05 Justice, if widely defined, could be seen as growing faster than the Scottish Budget as a whole⁹. Examination of the period 2003-04 through 2005-06 would have shown a slightly less encouraging picture, and the Minister admits ¹⁰ that over the three years of the Draft Budget period the Scottish Budget grows

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⁶ At Col 42 Official Report 1 October 2003, Chris Hawkes of ASDW advised, “that the reconviction rate for those serving periods of custody is, as I recall, approximately 60 per cent, whereas the rate for those given community service orders is between 40 and 45 per cent”.

⁷ Justice Committees 1 & 2 Report J1/02/35/1, J2/02/36/1 paragraph 27(c) “all Secure Accommodation be brought under a single budget heading overseen by the Justice Department.”

⁸ At Col 69 Official Report 1 October 2003, in terms of secure accommodation, the Minister for Justice says: “I now have responsibility for all of it. The funding lines are still with education and the officials who work on the secure accommodation programme are still in the Education Department, but my responsibility is to oversee the delivery of that programme as part of the youth crime action plan.”

⁹ At Col 59 Official Report 7 October 2003 the Minister for Justice explains: “The justice budget, including the local authority elements for the police and fire services, increases by 3.6 per cent, in real terms, between 2003-04 and 2004-05. The total increase for the Executive is 3.2 per cent.”

¹⁰ At Col 63 Official Report 7 October 2003 the Minister for Justice says: “However, the inclusion of the contingency fund in the overall Executive budget increase must be borne in mind. If that is taken out of the picture, the Executive budget increase between 2003-04 and 2005-06 is 7.08 per cent in real terms. If the local authority allocations are taken into account, the percentage increase for justice is 6.3 per cent in real terms. Therefore, the figure, which is around 1 per cent below the overall Executive increase, is not particularly problematic in the way that has been suggested.”
by 7.08% in real terms but, even defined widely, the increase for justice is only 6.3%.

12. The point the Committees wish to make can be seen in the Minister’s own description of the share of justice over the three years of the Budget as being, respectively, 9.55% (2003-04), 9.56% (2004-05), and 9.48% (2005-06) of the Executive budget. We recognise that allocation of resources is not the sole indicator of priority. However, it seems clear that if, as a budget grows, an increasing proportion of that budget is allocated to a particular activity, then that activity is a ‘priority’. On the other hand if, as the overall budget grows, the proportion allocated to an activity – even when widely defined – struggles to maintain a constant proportion of that budget then the activity cannot be classified as a priority.

13. The Committees wish to emphasise that this is not a matter of semantics. The Justice 1 and Justice 2 Committees recommend that the area of justice be treated as a priority in a meaningful way – by allocating an increasing share of available resources to justice issues. There is support in the Committees for further increases in spending on Alternatives to Custody, the Fire Service, the Police Service, and the Crown Office and Procurator Fiscal Service. These increases would raise the share of justice in the Scottish Budget and would match the Executive’s budget proposals with its stated portfolio priority to “tackle crime” and to “help all our communities live in peace and safety”.

14. The Committees received evidence from the representatives of the ADSW to the effect that increases in community disposals and other non-custodial initiatives involve an increase in the core work load of criminal social work agencies that is not adequately recognised in the budget. Following questions about this effect to the Minister for Justice, the Executive wrote to the Committees on 13 October laying out the recent increases in provision of core funding that had been made in this context. This is

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11 At Col 64 Official Report 7 October 2003 the Minister for Justice states: “the figures and information that I have suggest that, in the 2003-04 budget, the total justice core budget and the local authority allocation is £1,927 million in cash terms. For 2004-05, the real-terms allocation is £1,996 million and for 2005-06, we are talking about a further increase to £2,049 million. As a percentage share of the Executive budget, we are talking about 9.55 per cent, 9.56 per cent and 9.48 per cent.”

12 Including core Criminal Justice Social Work Services.

13 At the beginning of his statement to Parliament on the Scottish Budget, the Minister for Finance and Public Services noted: “We listened to what the people told us at the election on the first of May. They want delivery of their priorities, to tackle crime, raise attainment in education and make improvements to the health service”. The first paragraph of the introduction to the Partnership agreement states: “In the next four years of the Parliament, there is a great deal of work to do. Work to encourage and stimulate economic growth. Work to tackle poverty and disadvantage, to improve and sustain our environment and to help all our communities live in peace and safety.”

14 In this context Mr Chris Hawks, of the Association of Social Work Directors at Col 43 Official Report 1 October 2003, notes “Our argument is that, while we recognise the overall uplift, we do not think that enough of the allocation has been targeted at the elements that I have just described, which we would refer to as the core services.”

15 In letter of 13 October 2004, from Mr J D Gallagher, Head of Department, Justice Department it is indicated that an extra £0.86m per year was allocated towards supporting
helpful, but, in the light of the reported tension on this issue, the Committees recommend an audit of the provision, use and adequacy of this aspect of core funding, with a view to reconsidering the budget in this area.

15. In the cases of both the Police Service and the Fire Service, the Committees received evidence of serious future funding difficulties regarding the provision of pensions. A large recruitment in the late seventies has resulted in those officers retiring from the police force in 2009-10. These pensions are unfunded and hence paid out of current revenue. Owing to a combination of factors (for example, longer life expectancy and foreseeable increases in the number of retirements), pension payments in these two important areas will take up an ever larger proportion of their respective budgets. The Committees are aware that the Executive has been in discussion about this problem and wish to be kept informed of progress of these discussions.

16. The Committees have reservations regarding what appears to be an implicit over-reliance on the generosity of the next Spending Review by parts of the Executive. For example, when it considered the budgetary provision that had been made for the modernisation of the Fire Service through introduction of the integrated personal development system, the Minister seemed to be relying on a bid to the next Spending Review for any extra costs of this project. While recognising that explicit budgetary provision would be difficult in the context of a matter which is subject to ongoing negotiation, the Committees would have preferred an undisclosed allowance to have been made against the contingency reserve (money already there) rather than reliance on a bid to the next Spending Review, something that fails to safeguard the budget in the justice area.

17. When pressed on the matter of the Crown Office and Procurator Fiscal Service budget being flat in real terms over the three years of the Budget
period, the Lord Advocate responded\textsuperscript{20} that, although confident with regards to the adequacy of the planned budget, he would, should the need arise, ask for more funds. The Committees note that the next Comprehensive Spending Review may not be as generous as the previous two, and that the implicit expectation that resources will be available may be thwarted by a changing climate on the fiscal front.

18. The Committees detected an inconsistency between the increased resource being provided to some areas of the Justice portfolio, for example the Police Service\textsuperscript{21}, and the essentially static real-terms budget for the Crown Office and Procurator Fiscal Service over the 2003-04 through 2005-06 three-year period. Spending on Police and on other aspects of the criminal justice system would seem to lead to a higher level of demand in the Crown Office and Procurator Fiscal Service. The Committees heard from the Lord Advocate that recent spending on IT in this area would have the effect of releasing resources to deploy on front-line legal services\textsuperscript{22}. The Committees recommend that these predicted released resources be quantified in terms of additional personnel delivering front-line legal services.

Adequacy of stated performance information and linkages to objectives

19. On page 31 of the Draft Budget 2004-05 there is a list of ten or so Police targets stated for 2005-06. For seven of these, however, the baseline figure is either the latest available or the figure is simply not available. In the case of Drugs, neither a baseline nor a progress figure is reported. In part, this seems to be due to introduction of new baselines, which created a discontinuity\textsuperscript{23}. Performance should be easier to gauge on a regular and timely basis. The figures need to help users form an evidential basis, both now and going forward. The Committees recommend that the description of Key Performance Indicators for the Scottish Police Service should be re-stated in a way that makes clear the benchmark standard of performance, the targets for attainment in the years ahead, and the progress being made on an annual basis towards attaining those targets.

\textsuperscript{20} At Col 84 Official Report 7 October 2003, the Lord Advocate responded that he would “clearly have to consider whether to return and seek more funding”.

\textsuperscript{21} For example Police GAE increasing in real terms (£2003-04) from £888.75m in 2004-05 to £916.05m in 2004-05 to £955.19 in 2005-06.

\textsuperscript{22} At Col 83 Official Report 7 October 2003 the Lord Advocate said: “... a new technology system that should have the effect of freeing up many of the current support staff jobs and will therefore allow us increased capacity in terms of legal staff and people who do front-line jobs, such as precognition officers.” And at Col 84 Official Report 7 October 2003, the Lord Advocate explained: “As I say, it is important to ensure that what we get from the investment during those years is the ability to redirect resources from support staff into more legal staff, more precognition officers and so on.”

\textsuperscript{23} At Col 70 Official Report 7 October 2003 the Minister for Justice explains: “Some progress had been made on the original targets but it was decided to set new, up-to-date baselines rather than to stick with some of the earlier baselines that mostly related to the 1990s and were not as up to date as we would have liked.”
20. The Committees recommend that the current set of Objectives and Targets that appear in the Draft Budget at page 37 for the Crown Office and Procurator Fiscal Service should be extended, re-worked and re-stated. As they stand, they currently offer no clear insight as to how effective the significant injection of resources has been into this area since 2002 and the Pryce-Dyer Report. Measurement should be relative to clearly stated benchmarks as of April 2002. It should be noted that since taking evidence the Committees have become aware of reports that suggest additional impact on the budget of the Crown Office and Procurator Fiscal Service. The Justice Committees seek assurance that these have been costed. We would further request to be kept informed on:

- current costings in relation to this year’s discussion on pay; and
- plans to consider the use of administrative staff in case marking.

21. Because of the point made above, regarding the need to ensure capacity in the Procurator Fiscal Service keep pace with the need created by expanding activity in other areas (such as the Scottish Police Service), the Committees recommend that specific target figures for full-time-equivalent Procurator Fiscals serving in front line positions be set as a Key Performance Indicator.

Comment on the cross-cutting initiatives of closing the opportunity gap; sustainable development and equality

22. A problem the Committees experienced in scrutinising and reporting on cross-cutting initiatives is related to the point made above in the context of the difficulty in assessing the budget allocated to justice, when these allocations are spread over several departmental budgets. It was near impossible to gain an impression from the budget document of the over-all spend on the various cross cutting issues. The Committees recommend that a time-series of summary figures be presented for at least some of the key cross-cutting initiatives and their components.

23. The Committees did question one specific aspect of the approach to Closing the Opportunity Gap, namely, the expansion of expenditure on Police Services while, at the same time, leaving the Crown Office and Procurator Fiscal Service with essentially a flat-line budget. One of the contributions of the Crown Office and Procurator Service (COPFS) towards the cross-cutting initiative of closing the opportunity gap is through the pursuit of persistent offenders. It seemed that increased activity by one agency (the Police Service) would predictably involve increased

24 A letter to the Committees of 15 October 2003, from Mr Robert Gordon, Chief Executive of the Crown Office and Procurator Fiscal Service, provided additional data on some of the key performance indicators. This goes some way to meeting the Committees recommendation but leaves ample room for improvement in the range, consistency and specificity of indicators that could be utilised.

25 At page 13 of the Draft Budget 2004-05, closing the opportunity gap “by working to reduce crime – particularly violent and drug-related crime and housebreaking, which disproportionately affect disadvantaged area”.
activity for the other (COPFS), at least in the short term. This did not seem to be reflected in the budgetary provision.

Conclusion

24. Following their scrutiny of the Draft Budget 2004-05, the Justice 1 and Justice 2 Committees make the following recommendations:

*General*

a) budget information also to be presented on a programme basis (for example, ‘Justice’ or ‘tackling crime’) rather than simply on a departmental basis, as is the current practice.

b) a consistent time-series of budget data going back at least five years should be made available.

*Criminal confiscation unit and civil recovery unit*

c) monies raised through the criminal confiscation unit and the civil recovery unit should be made explicit, by the Crown Office and Procurator Fiscal Service listing their successful confiscation orders on an annual basis and for the Justice Department to detail the deployment of that resource.

*End-Year-Flexibility*

d) an adequate amount of EYF funds to be made available for the evaluation of community sentences, bail supervision, and diversionary mediation and reparation – all to be evaluated against the custodial alternative.

*Changes in Programme Budgets*

e) funding and responsibility for secure accommodation to be aligned by relocating the budget from the Education Department to the Justice Department.

*Appropriateness of Budget Proposals*

f) the area of justice to be treated as the priority it is declared to be – by increasing spending on Alternatives to Custody, the Fire Service, the Police Service, and COPFS.

g) the formula that links core funding in criminal justice social work to programme-specific activity be audited as to its adequacy, with a view to reconsidering the budget in this area.

h) steps to be taken to address serious funding difficulties of pension provision in the Police Service and the Fire Service.

i) consideration to be given to earmarking an undisclosed amount in the contingency reserve against the expense of modernising the Fire Service.
Performance Indicators

j) the Key Performance Indicators for the Scottish Police Service should be re-stated in a way that makes clear the benchmark standard of performance, the targets for attainment in the years ahead, and the progress being made on an annual basis towards attaining those targets.

k) the current set of Objectives and Targets for the Crown Office and Procurator Fiscal Service should be extended, re-worked and re-stated with a view to offering performance indicators that present a clearer picture as to how effective has been the significant injection of resources into this area since April 2002 and the Pryce-Dyer Report26.

l) specific target figures be set for numbers of full-time-equivalent Procurator Fiscals serving in front line positions, as a Key Performance Indicator for the Crown Office and Procurator Fiscal Service.

Cross-Cutting Initiatives

m) a time-series of summary figures be presented for total budgetary allocations on at least some of the key cross-cutting initiatives and their components.

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26 Review of the Planning, Allocation and Management of Resources in the COPFS
REMIT AND MEMBERSHIP

REMIT:

To consider and report on matters relating to local government (including local government finance), cities and community planning and such other matters (excluding finance other than local government finance) which fall within the responsibility of the Minister for Finance and Public Services; and matters relating to transport which fall within the responsibility of the Minister for Transport.

MEMBERSHIP:

Bristow Muldoon (Convener)
Dr Sylvia Jackson
Rosie Kane
Paul Martin
Bruce McFee
Mr Michael McMahon
David Mundell
Iain Smith
Mr Andrew Welsh (Deputy Convener)

COMMITTEE CLERKING TEAM

Clerk to the Committee
Eugene Windsor

Senior Assistant Clerk
Alastair Macfie

Assistant Clerk
Euan Donald
Local Government and Transport Committee

Report on the 2004-05 Budget Process

The Committee reports to the Finance Committee as follows—

INTRODUCTION

1. The Committee’s scrutiny of the Scottish Executive’s draft 2004-05 budget document\(^1\) has been truncated as a result of the dissolution of Parliament earlier this year. This meant that the Committee did not have an opportunity to comment on budget allocations in advance of the production of the draft budget. Instead, the Committee moved straight to stage 2 of the budget process, and consequently its scope for making recommendations to changes in budget lines has been limited.

2. The Committee has, therefore, used this year’s budget as an opportunity to become better acquainted with the key issues underpinning the budget allocations, to focus on achieving better transparency in the budget, and to ensure that targets and objectives are both appropriate and can clearly be linked to the spending figures. In doing so, the Committee proposes separately to address each of the two elements of its remit in turn.

3. On 30 September and 7 October 2003, the Committee took evidence from—

- The Chartered Institute of Public Finance and Accountancy (CIPFA)
- Dr Iain Docherty, University of Glasgow
- Convention of Scottish Local Authorities (COSLA)
- Nicol Stephen MSP, Minister for Transport
- Andy Kerr MSP, Minister for Finance and Public Services

4. The Committee is grateful to those individuals and organisations who gave evidence to the Committee, and in particular, the willingness of witnesses to provide evidence within the tight timescales imposed by the budget process this year.

\(^{1}\) Link to budget document: [http://www.scotland.gov.uk/library5/finance/db05-00.asp](http://www.scotland.gov.uk/library5/finance/db05-00.asp)
5. The Committee also acknowledges the assistance provided by its adviser on the local government budget, Colin Mair, Director of the Scottish Local Authorities Management Centre, and its adviser on the transport budget, Stephen Lockley, former Director General of Strathclyde Passenger Transport.

6. The Committee notes that a response from the Minister for Transport to points raised during his evidence session is still outstanding. The Committee anticipates receiving this response shortly and will consider it in the context of the 2005-06 budget process and the Committee’s other work commitments.

Resource Account and Budgeting

7. It is worth highlighting a change in the budget document this year. The document notes a change that has been made to the provision under Resource Accounting and Budgeting of the cost of capital charges. This reduces the budget provision for capital charges as compared to last year’s draft budget. Whilst this change does not affect the Executive’s actual cash expenditure on its programmes, it can influence changes in departmental shares of the budget at the margins, and makes strict comparisons with last year’s documents impossible.

SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

8. In relation to the local government budget, the Committee—

- Recommends that an analysis of general and sectoral pay and price pressures is provided within the budget documentation in future years. The Committee also recommends that increased fiscal or employers’ burdens, such as N.I. increases or increased pension fund contributions, be identified and quantified as part of the supporting documentation (paragraph 17);

- Recommends that elements of growth in the budget relating to new initiatives should be identified and quantified (paragraph 19);

- Recommends that the Executive identifies what areas of the budget are core in the sense that there is an agreed ongoing commitment to input standards, output standards and outcomes, and an accurate estimate of what meeting standards and achieving outcomes will cost over time (paragraph 29);

- Recommends that in future budgets the Executive distinguishes between monies that are ring fenced in strict terms, monies that require plan appraisal before deployment, monies that require matching funding to be accessed, and monies that are subject to no specific conditionalities (paragraph 34);

- Restates its strong recommendation of last year that there should be a single “Local Government Budget” that captures and classifies allocations to local government from all Executive portfolios (paragraph 35);

- Recommends the development of a joint process between the Executive and COSLA to agree an explicit basis for estimating inflationary pressures across a spending review period, and for checking these estimates against actual pressures (paragraph 38);
• Recommends an annual statement of all “new commitments” as part of the budget process that includes: an evidence based costing; confirmation of whether the commitment is one off or ongoing; and, if ongoing, what funding sources will support it initially and in the longer term (paragraph 40);

• Requires a report from the Executive within 3 months about progress and process with respect to developing outcome agreements, and the extent to which a coherent framework for developing them is in place (paragraph 43);

• Recommends that an effort is led by the Executive to better quantify the investment requirement in relation to assets such as roads (paragraph 45);

• Recommends an estimate of the investment level to be achieved by councils be provided, not just the Executive’s proposed spend on supporting investment (paragraph 46);

• Recommends a consolidated statement of support through all funding mechanisms, and the balance of support between mechanisms, is provided as part of the budget process. The Committee also recommends that an annual monitoring statement is provided on the impact of the prudential framework on borrowing and investment levels (paragraph 47);

• Recommends that Ministers consider whether a requirement could usefully be placed on Scottish councils to prepare asset management plans (paragraph 48);

• Recommends that in years outwith spending reviews, the annual budget process focuses on:
  • Any substantial deviation from the three-year plan created by the Spending Review;
  • A comparison of estimates of inflation against actual inflationary trends, the identification of the causes of variation between actual trends and estimates, and any steps that need taken to address the gap;
  • Identification and costing of new commitments, and a statement of the relative balance of Executive and local contribution to funding them; and
  • Progress towards outcomes agreed in the spending reviews (paragraph 50)

9. In relation to the transport budget, the Committee—

• Requires clarification from the Minister for Transport, as soon as possible, on what understanding has been reached with the Strategic Rail Authority regarding on-going rail maintenance standards in Scotland (paragraph 60);

• Requires clarification on whether the Minister for Transport will have recourse to contingency funds or central reserves in order to achieve delivery of all major transport projects, as he appeared to suggest in evidence (paragraph 70);
• Recommends that financial clarity is achieved regarding the funding of new transport initiatives as soon as possible after they have been announced and, in particular, that funding arrangements for the proposed new strategic transport authority are set out explicitly in future budget documents (paragraph 74);

• Welcomes the commitment made by the Minister for Transport to provide timelines for each of the proposed rail projects in the budget document, and anticipates receiving this information shortly (paragraph 77);

• Welcomes the Minister’s statement that he is involved in on-going discussions with the Royal Mail and the UK government with a view to encouraging the company’s future use of the railways, and wishes to be updated on the results of these discussions (paragraph 78);

• Expresses surprise at apparent errors in the budget relating to lifeline air services, seeks clarification on why this occurred, and, more generally, recommends that an explanation should be given for all unexpected changes which are made to specific budget lines (paragraph 80);

• Recommends that the Minister for Transport takes action to establish more meaningful short term 'staging post' targets in the budget document in areas where long term targets are currently used (paragraph 82);

• Recommends that all targets in the budget document should be clear and unambiguous, and, in particular, that base years for assessing trends should be explicitly stated and, ideally, consistent between similar targets (paragraph 87); and

• Requests details of progress being made to improve liaison between Scottish Executive departments to assist transport delivery (paragraph 93).

LOCAL GOVERNMENT

Introduction

10. The Committee focused on two related matters during its consideration of the local government budget. First, the Committee took evidence on the details of the budget for 2004-05 as presented in the budget document. Second, the Committee took evidence on underlying issues relating to the budget process and framework. The Committee’s comments on the local government budget are structured around these two broad areas of inquiry.

11. However, at the outset the Committee would emphasise that it does not think that the current budget framework, and detail provided in the document, allow it to make a reliable evaluation of the 2004-05 budget, and its adequacy with respect to the ongoing and new service responsibilities Scottish local authorities are expected to meet. The balance of comment in this report is on matters relating to the framework and budget process the Committee believes need to be resolved to allow it to better scrutinise the local government budget in the future.
The Local Government Budget – Trends

Presentation of the local government budget line

12. Despite the Committee's previous recommendations, the local government budget, as presented in the budget document, is only that which is managed and controlled through the Finance and Public Services portfolio. There is no consolidated statement of allocations from all Executive sources and substantial sums appear to be as yet unallocated. Again, despite previous recommendations, cash growth in the revenue budget is not broken down into compensation for inflation, financing for new developments, and real growth available for local decision making.

13. The Committee also notes that the budget allocations, as presented, are substantially unrelated to any explicit statement of the outcomes that councils are expected to achieve. The Committee thinks it is, at minimum, anomalous that the Scottish Public Pensions Agency budget (£320 million in 2004-05), for example, is fully linked to objectives and output or outcome targets, whereas the budget allocated to councils, which is over £8 billion (revenue and capital), is unrelated to either objectives or outcome targets.

Budget changes

14. The figures for the 2004-05 local government budget represent a cash increase in the revenue budget of £349 million (4.6%) and an increase in the capital budget of £7.4 million (1.8%). The total allocation to local government increases by £357 million (4.4%). These are adjusted for inflation (i.e. expressed in real terms) to give figures of growth in revenue of £161 million (2.5%), a real reduction in capital of £3 million (0.8%) and growth in total allocation in real terms of £159 million (2.0%).

Inflation and the budget

15. The Committee pursued the level and adequacy of the provision for inflation in evidence but could arrive at no substantive conclusions. The provision for wage inflation is 2.5% and for price inflation is 1.25%. The Committee notes COSLA's view that some provision for inflation is better than none, and the Minister's explanation that the estimates of inflation were those determined in the 2002 Spending Review. However, the basis of these estimates and their adequacy against subsequent trends was not established, and as far as the Committee can establish no formal process between the Executive and Local Government exists to monitor inflationary trends year on year.

16. Whilst the Committee understands the complexities here, the Minister's remark in evidence, "I am sure we can negotiate on the actual numbers", does not provide an explicit basis for scrutinising the budget. The Committee also notes COSLA's indication that the provision councils anticipate having to make for inflation may be running one half to one percent above estimate.

17. The Committee understands that estimates of wage inflation can become self-fulfilling and that councils as employers have an important role in managing wage inflation. However, it would also be concerned if wrongly estimated

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inflationary pressures resulted in problems of recruitment and retention, or required service reduction to fund pay increases. Scrutiny would be enhanced if an analysis of general and sectoral pay and price pressures were provided within the budget documentation, and the Committee recommends that this be done in future years. The Committee also recommends that increased fiscal or employers’ burdens, such as N.I. increases or increased pension fund contributions, be identified and quantified as part of the supporting documentation. The Committee would also support COSLA’s view that where wage increases above 2.5% are determined by the Executive itself, the balance should be funded.

New initiatives

18. The Committee also sought to establish the proportion of cash growth within the budget that is allocated to finance new developments or to mainstream developments previously financed outwith core Aggregate External Finance (AEF). The Committee accepts the Minister’s view that “new burdens” is an inappropriate way of describing this, and recognises that where new initiatives are mutually agreed some local contribution to their financing would be reasonably assumed.

19. However, the Minister himself recognised that some of the growth in the budget was for “new initiatives and new pressures within the system”. This being the case, the Committee recommends that these elements of growth in the budget should be identified and quantified. This would allow the Committee to make a more informed judgement about the provision within the budget for ongoing services.

20. The Committee entirely accepts that greater detail will be in the circular sent to councils in December, and available through year-end reporting, but its ability to scrutinise the budget estimates would be enhanced if at least provisional costings were attached to new initiatives at this stage.

The capital budget

21. In relation to the capital budget, the Committee welcomes clarification that support for capital investment, including transport investment run through councils, will be around £500 million in 2004-05. It also welcomes clarification that the level of support for investment will not be altered from the level planned in S.R. 2002 in the light of the introduction of the prudential regime in April 2004.

22. However, in the absence of a reliable estimate of the local government investment required and a clear statement of the level of investment Executive support is intended to finance, the Committee feels poorly placed at this stage to make an assessment of the adequacy of this provision. The Committee notes also that documentation and quantification of all Executive support for capital investment (including capital grants, support for loan charges and capital repayment, and level playing field support for PPP) would improve transparency and aid scrutiny. Recommendations are made below.

23. As a result of the factors noted above, the Committee is not in a position to make a reliable judgement of the adequacy of the proposed budget, nor to

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propose any change of level. The Committee notes that in its Stage 2 Report on the 2002-03 budget it hoped 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”.  

24. As this has not yet happened, the Committee comments in detail and makes recommendations below on steps it would wish to see taken to improve the framework and process of the budget.

Budget Framework and Process

Integrated Local Government Budget

25. The Committee is disappointed that little progress seems to have been made in implementing recommendations made in its previous reports on the framework of the local government budget.

26. The Committee notes the Minister’s point in evidence, that, quite properly, allocations are made to local government from a number of Executive portfolios, and that a consolidated statement of all of these would be lengthy. However, the Committee’s view is that such a “Local Government Budget” is essential for intelligent monitoring and scrutiny over time. It relates directly to the issue of what the base or core budget for local government is; and it relates directly to issues of outcome agreements between the Executive and local government.

27. While some funding over and above AEF can clearly be seen as additional to core funding, other funding cannot. The Minister’s own examples, in evidence, of McCrone monies or the funding of additional teaching posts in Scottish schools are clearly core commitments that any council would have to build in as an ongoing element of its base budget. An integrated local government budget would allow this to be monitored, and would make it clearer that funding from other portfolios does not imply that what is funded is not core. Indeed, in planning terms it would force clarity about what is core, in the sense of ongoing financial commitment, and what is not. The Committee notes the financial planning insecurity, raised by COSLA in evidence, of not knowing whether financial allocations from a variety of sources will be ongoing or not.

28. The Committee prefers the terminology of “Core Funding” to that of “Base Budget”, if only because the latter terminology seems open to misunderstanding. In evidence, the Minister seemed to imply that establishing the “Base Budget” of local government would require reviewing all shifts in the functions and responsibilities of councils across the last decade, and he doubted that such an exercise would have much productive benefit. The Committee has little interest in such a backward looking exercise either.

29. **However, the Committee recommends that the Executive identifies what areas are core in the sense that there is an agreed ongoing commitment to input standards, output standards and outcomes, and an accurate estimate of what meeting standards and achieving outcomes will cost over time.** This

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is about present and future commitment, not about past allocations and spending patterns. In our view, the core / non-core distinction has nothing to do with the particular portfolio that is the initial source of the finance. This analysis could only be sensibly achieved within the context of an integrated local government budget.

30. The Committee also notes and endorses the Minister’s view that the spending plans that emanate from Spending Reviews cannot remain inflexible. What can be accurately projected and estimated should be finalised, but there must be a level of sensitivity and flexibility to emergent demand and new opportunities. In particular, the Committee would be concerned if services funded by allocations that were not intended to be ongoing initially, but which have demonstrated their value, could not be reviewed and absorbed into core funding if this was warranted. This would clearly apply at local as well as national level. Again, the Committee’s view is that an integrated local government budget framework is more likely to allow this to happen.

31. The Committee notes that the partnership agreement between the Executive and Local Government contains themes that imply budgeting across portfolios, not within them. These themes are:

- Joint Futures (integrated Community Health and Social Care);
- Health Improvement;
- Housing, regeneration and sustainable development;
- Integrated Children’s Services; and
- Anti Social behaviour.

32. Progress in any of these areas will require joint planning and resourcing at local level and it seems reasonable that this should be facilitated by Joint Planning and Resourcing at national level. An integrated Local Government Budget would provide a framework for this.

33. Finally, the Committee notes that there is still no agreement between the Executive and local government on the degree to which hypothecation and “ring fencing” applies within the local government budget. Much of the issue here seems to relate to funding over and above allocated AEF, and from other portfolios, rather than to AEF itself. A consolidated local government budget would create a consistent framework for exploring this issue. The Committee thinks that within that framework a more appropriate vocabulary than “ring fencing” would be necessary to characterise the focussing of resources on often mutually agreed priorities.

34. The Committee is concerned also that there seems little agreement on the definition of “ring fencing”, and that a continuum exists from fully hypothecated funding to partially hypothecated funding to completely unhypothecated funding. To bring clarity to this the Committee recommends that in future budgets the Executive distinguishes between monies that are ring fenced in strict terms, monies that require plan appraisal before deployment, monies that require
matching funding to be accessed, and monies that are subject to no specific conditionalities. This will allow a cleaner assessment of the degree of Executive direction of Councils’ spending decisions.

35. For all these reasons, the Committee restates its strong recommendation of last year that there should be a single “Local Government Budget” that captures and classifies allocations to local government from all Executive portfolios. The Committee notes the Minister’s commitment to produce a “comprehensive” local government budget (meeting with COSLA, 21 August 2003) and would wish to see that in place as the basis for Spending Review 2004.

*Inflationary uplifts and new spending commitments*

36. The Committee notes and accepts that within the spending review process inflationary pressures on wages and prices must be estimated for the three-year period. The Committee also accepts that wage inflation is partly determined by decisions local government makes as an employer, and that it is inherently unreasonable to assume that these should automatically be fully compensated. Finally, the Committee recognises that there are finite resources available, and that a prudent and robust approach to the management of wage and price pressures should be expected from Scottish councils.

37. Within that context, however, the Committee remains unclear about the basis on which inflation is initially estimated, and the process for reviewing these estimates in the light of wage trends; issues of recruitment and retention faced by councils, and general inflationary pressures. The Committee welcomes the commitment to fully funding the balance if the Executive’s own decisions result in wage inflation above the estimated 2.5% but recognise that in other areas councils may face labour market pressures that require higher settlements.

38. The Committee recommends the development of a joint process between the Executive and COSLA to agree an explicit basis for estimating inflationary pressures across a spending review period, and for checking these estimates against actual pressures across the period. It would be particularly useful for the Committee to receive an annual report of estimate against actual trend as part of the budget process. We would also welcome a clear statement of the impact of demographic trends over time on demand and spending levels. This will allow the Committee to assess the adequacy of revenue provision in an informed way.

39. The Committee accepts the Minister’s view that “new burdens” is a misleading way of characterising desirable and often mutually agreed policy or service developments. The expression “new commitments” might better capture developments either initiated by the Executive itself, or mutually agreed, that have an identifiable financing requirement in subsequent years.

40. Our concern from the evidence presented is that there does not appear to be adequate programme planning around this at present and that “new commitments” may be initiated without either longer term financial commitment or an agreed exit strategy. The Committee recommends an annual statement of all “new commitments” as part of the budget process that includes: an evidence
based costing; confirmation of whether the commitment is one off or ongoing; and, if ongoing, what funding sources will support it initially and in the longer term. Again, this will allow the Committee to interrogate the adequacy of the budget in a much more focussed way.

Outcomes and outcome agreements

41. The Committee has raised, in previous reports, the issue of linking spending to outcomes, and last year asked that a similar framework to that applied to other portfolio budgets be adopted. In fairness, there are outcome targets stated this year, but none apply to the around £8 billion allocated to local government. Evidence in the previous two years suggested that the Executive and local government were working together to develop local outcome agreements but we can see very little evidence of practical progress.

42. Indeed, we were not able to establish unambiguously how many local outcome agreements there actually are, and what process exists for their further development and refinement. As the five themes in the Partnership Agreement are agreed, the Committee is puzzled as to why a number of outcomes under each theme could not be identified and agreed fairly quickly. This is exactly what the Executive is asking Councils and their Community Planning Partners to do at local level, and it seems reasonable that it should be part of the national partnership agreement as well. Without outcome specification, the themes are vague and abstract.

43. The Committee requires a report from the Executive within 3 months about progress and process with respect to developing outcome agreements, and the extent to which a coherent framework for developing them is in place. The Committee also recommends that the existing partnership agreement be developed in outcome terms, and that this provides the basis for SR 2004 decision-making. The identification of the core budget and new commitments could usefully be contained within that framework.

The investment required

44. Having taken evidence on the capital provision in the budget, the Committee has a number of concerns.

45. First, it is impossible to assess the adequacy or appropriateness of capital provision in the absence of any estimate of what the local government investment requirement actually is. COSLA have a “guestimated” backlog figure of £4 billion and the Minister indicated in evidence that he doubted local government was able to be accurate about this. The Committee agrees, but the answer would sensibly be to establish a more reliable estimate, not simply note its absence. As the Committee has a concern that, for assets such as roads, we may be going backwards by not going forwards fast enough, the Committee recommends that an effort is led by the Executive to better quantify the investment requirement.

46. Second, the capital line in the budget quite properly indicates what the Executive intends to spend supporting investment by councils but says nothing
about the level of investment it expects to be achieved. **In future, the Committee recommends an estimate of the investment level to be achieved be provided, not just the Executive’s proposed spend on supporting investment.** This would allow the Committee to consider the estimated investment level to be supported against the estimated investment requirement, which is a more sensible basis for assessing adequacy.

47. Third, local investment is supported in a variety of ways by the Executive through revenue support, capital grants and “level playing field” support for PPP projects. **The Committee recommends a consolidated statement of support through all mechanisms, and the balance of support between mechanisms, is provided as part of the budget process. The Committee also recommends that an annual monitoring statement is provided on the impact of the prudential framework on borrowing and investment levels.**

48. Finally, the Committee accepts the Minister’s point that strong asset management is an essential element of progress here, particularly in the context of a prudential regime. If councils do not have robust corporate systems for monitoring and managing their existing asset base, it is hard to see that the creation of new assets could be regarded as “prudential” at all. The Committees understanding is that English councils are required to have corporate asset management plans, based on analysis of the condition, maintenance requirement and fitness for purpose of existing assets and projection of future asset requirements. This provides a useful discipline in itself but would also allow a much more accurate assessment of investment requirements and surplus capacity. **The Committee recommends that Ministers consider whether such a requirement could usefully be placed on Scottish councils.**

**The future budget process**

49. The Committee noted in its second stage report last year that the annual scrutiny of budgets between spending reviews needed reviewed in terms of its purpose and utility. Depth analysis and forward planning take place during the spending reviews and that largely determines subsequent annual allocations. Annual changes are at the margins. The spending reviews warrant depth scrutiny across the whole local government budget. The annual budget process could usefully be much more focussed.

50. Assuming the recommendations above are implemented, **the Committee recommends that the annual budget process focuses on:**

- Any substantial deviation from the three-year plan created by the Spending Review;
- A comparison of estimates of inflation against actual inflationary trends, the identification of the causes of variation between actual trends and estimates, and any steps that need taken to address the gap;
- Identification and costing of new commitments, and a statement of the relative balance of Executive and local contribution to funding them; and
- Progress towards outcomes agreed in the spending reviews.
51. All of this should be presented within a single local authority budget framework so that these focal issues can be addressed irrespective of the portfolio source of funding.

TRANSPORT

Overall Transport Budget

52. The Committee welcomes the fact that the Scottish Executive’s transport budget is due to increase between 2003-04 and 2005-06 in actual terms, in real terms, and as an overall percentage of the total Scottish Executive budget. The Committee also welcomes the statement by the Minister for Transport that the Executive wishes to move to a position where 70 per cent of its transport budget will be allocated to public transport by 2006\(^5\).

53. This increased spending reflects the outcome of the various multi-modal studies and the Minister’s stated intention of combining sensible road-building in the short and medium term with major public transport investment, particularly in relation to rail.

54. There are, of course, major challenges that will need to be overcome in the next 10 to 15 years. Many argue that there is substantial transport investment required in Scotland, and that transport infrastructure is poor when compared to similarly developed countries. The Executive’s aspirations in relation to delivery of transport projects and funding in the next 15 years will be difficult to achieve, and even if the projects envisaged are delivered, there will still be a shortfall in fully meeting aspirations for travel.

55. In this section of the budget report, the Committee will firstly touch on several general issues raised in evidence, that, although not specifically related to the budget document, may affect delivery of transport projects in the future.

Rail delivery

56. In evidence, Dr Iain Docherty highlighted what he suggested was a “consensus” developing around concern at a lack of control by the Scottish Executive and the Scottish Parliament over the railways in Scotland.

57. The Committee’s predecessor committee commented extensively on this subject in its report on the rail industry in Scotland, published in October 2002\(^6\), and this Committee does not, at this stage, wish to add significantly to this report.

58. However, the Committee does want to emphasise that there should be a level playing field in relation to road and rail investment. In light of the parliamentary approval process required for new rail developments, for example, and the large numbers of bodies involved in rail delivery, there is a danger that the simpler, more unified approach towards road investment could lead to road projects achieving earlier implementation than rail developments.

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\(^5\) Col 105. Co-incidentally, 70% is also the percentage by which public transport spending will increase.

\(^6\) http://www.scottish.parliament.uk/S1/official_report/cttee/trans-02/trr02-15-01.htm
59. The Committee is also aware of concern expressed regarding likely future rail maintenance arrangements in Scotland. The Committee notes that there is a risk that cuts in maintenance, and their possible impact on service standards, may mean that the quality of current services will be undermined. The concern is that major new projects will be of limited value if the rail operators which use them, or the core network more widely, are of diminished quality. When the Committee raised this concern in evidence, the Minister stated:

“The Scottish Executive, too, is extremely concerned about that issue... We have made those concerns known to the SRA. This week, I repeated them to Richard Bowker and asked for his assurance that the SRA was not proposing any maintenance that would have an adverse impact on the ScotRail franchise. He gave me that assurance, but we will remain vigilant in relation to maintenance proposals.”

60. The Committee welcomes the Minister’s commitment to remain vigilant on this issue. The Committee proposes to monitor developments, and to take evidence from the Minister and the Strategic Rail Authority later this year. The Committee requires precise details of what understanding has been reached with the SRA regarding rail maintenance standards as soon as an agreement has been finalised. This is an issue that the Committee believes is of widespread concern to the Scottish travelling public, and one which could have major implications for the Scottish rail network.

Proposed Strategic Transport Authority

61. The Committee heard evidence on the proposed Strategic Transport Authority. These proposals are currently subject to consultation by the Executive. The Committee has not yet considered how it would wish to scrutinise more detailed proposals for the new body when they are brought forward, and so it does not wish to comment further at this stage.

62. However, the Committee notes that the new body will have an important role in delivering the initiatives put forward in the budget. It will therefore be essential that the body establishes straightforward decision-making, implementation and operational processes, and that it develops effective working relationships with other key transport bodies in Scotland. There is also a need to ensure that the imminent arrival of the new body does not lead to a hiatus in transport policy development. The Committee also notes, finally, that a suggestion has been made that the new body may have a role to play in developing a basic standard of provision to facilitate travel between all parts of Scotland with changes in travel patterns only encouraged where congestion or unacceptable environmental intrusion would otherwise occur.

Tackling Congestion

63. In evidence to the Committee, Dr Iain Docherty raised the issue of road congestion charging:

“As far as the longer term is concerned, we cannot avoid the issue of road pricing. We all know that Scotland is behind United Kingdom trends for levels of car ownership and use, and we understand the difficult local and national political issues surrounding charging for use of road space. However, even if the Executive were to deliver its most

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7 Col 115
ambitious plans, there is in the long term no alternative to facing the key question of whether to charge for use of road space in the future. For wider Scotland, that could still be 10, 15 or even 20 years ahead, but there would be benefits in considering the issue and making the investment decisions now.\(^8\)

64. Supporters of road user charging argue that a new transport agency could take charge of implementing a nationwide charging scheme, and that it could significantly assist the Executive’s objective of reducing congestion as well as raising a significant proportion of the funding needed to meet the Executive’s transport aspirations for the next 15 years. \textbf{The Committee highlights congestion charging as an issue which will be subject to on-going intense debate and which may have an impact on future budget allocations.}

\textbf{Specific Budget Issues}

\textit{Increased public transport expenditure}

65. The Scottish Executive document ‘Building Better Transport’ was published in March 2003, and stated that:

“Spending on public transport - which is now top of our priorities - will rise by over 70% in three years.”\(^9\)

66. However, it is not immediately apparent in the 2004-05 budget document how the figure of 70 per cent is arrived at. Indeed, at first glance, it appears that the increase is actually closer to 55 per cent. However, in evidence to the Committee, the Minister stated that this apparent discrepancy was caused by changes in the way that capital charges were calculated in the budget figures. The Minister reassured the Committee that the commitment of a 70 per cent increase in public transport spending remained. \textbf{This is welcomed by the Committee, along with the Minister’s commitment to explain fully how the figures were arrived at.}

\textit{New contracts and uncertainties}

67. The Committee notes the degree of uncertainty in the budget document regarding the financial impact of new contractual commitments, such as the replacement Scottish rail passenger franchise and the new contract for the Clyde and Hebrides ferry services. In relation to the new Scottish rail franchise, the Committee welcomes the Minister’s assurance that the existing level of service will be maintained under the new franchise, along with additional services arising from investment commitments.

68. The Committee understands the reasons why the budget document carries forward the notional figure of £210.63 million for spending on rail services in Scotland. The Minster himself made the point that:

“You could probably accuse the figure of £210.63 million of spurious accuracy, because that is £210.63 million of current estimated expenditure rolled forward into future years, to enable us to be absolutely neutral and not to send out any indicators to the ScotRail bidders."

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\(^8\) Col 73

\(^9\) Building Better Transport, \url{http://www.scotland.gov.uk/library5/transport/bbtr-00.asp}
To be honest, similar problems arise when we give funding costs for any transport project. When we talk about a cost of £500 million or £37 million or whatever the sum may be, that puts a figure into the minds of contractors who are bidding. In this instance, the only figure that we wish to have in the minds of the three bidders for the ScotRail franchise is £210 million, which is the current cost of the ScotRail franchise.”

69. Although the Committee understands the basis for the notional figure, it is also concerned that the uncertainty regarding the financial impact of contractual commitments will have budgetary implications. The Committee raised with the Minister the possibility that the figure for franchise payments might be larger than expected. The Committee was concerned at the possible implications of such an increase on other budget lines. In particular, the Committee noted that it might prejudice implementation of some of the initiatives which have been agreed as part of the partnership agreement. In evidence, the Minister stated:

“At times it is possible to spend more money than was estimated on a particular issue or less money than was estimated on a particular issue. We strive for the latter, but we realise that that is not always possible, particularly in relation to transport projects. For a number of transport projects, the cost estimates go up over time. Despite that, we are determined to deliver on the scale of investment that we are speaking about, to ensure that we deliver on all the projects. One of our core commitments is to the ScotRail franchise.

If the situation that you describe arose, we would have to examine it in the context of the transport budget and the contingency or central funding. That is the simple answer.”

70. The Minister seems to imply there will be recourse as necessary to contingency funds or central reserves in order to achieve delivery of all major transport projects. The Committee requires clarification on whether this is indeed the case. At any rate, it is clear that the Committee will have an important role in future years in examining the financial impact of the new contract awards.

New policy announcements
71. The Executive has recently made a number of new commitments and policy announcements on transport issues, and the Committee was keen to clarify how these will be funded.

72. In evidence, the Minister identified a number of specific budget allocations which will be made available for new transport initiatives, such as £11 million allocated to local authorities to enable them to begin work on 20 mph zones around schools. The Committee welcomes this particular initiative, and supports the Executive’s position that there will be a need for close liaison with local authorities in order to deliver this scheme. The Committee also welcomes the 68.3 per cent real terms increase in the Integrated Transport Fund between 2003-04 and 2005-06.

73. However, it was less apparent in the budget document how some other new initiatives would be funded, such as the proposed new Strategic Transport Agency. The Minister acknowledged that there was currently no provision in the

10 Col 116.
11 Col 116 and Col 117
budget document for funding the proposed body, but that funding will be provided for in the autumn budget revision when it comes before Parliament. The funding will be drawn from the integrated transport budget line. However, the Minister made the point that the spending required is likely to be small, as the bulk of administrative costs for the new agency would be drawn from the cost of the current civil service and departmental support rather than the transport budget.

74. **The Committee recommends that these funding arrangements are set out explicitly in future budget documents.** This will be particularly relevant if primary legislation is not required for the establishment of the transport agency, as the Committee will not possess a financial memorandum accompanying a bill, which would have been a guide to the funding arrangements for the new body. On a more general point relevant to all projects, the Committee considers it essential that financial clarity is achieved regarding the funding of new transport initiatives as soon as possible after they have been announced.

**Rail investment**

75. The Committee intends in future years to monitor closely progress related to the delivery of new rail investment, as it is a key element of the Executive’s transport spending plans. In this context, the Committee welcomes the recent announcement that the first of the 22 new trains for the Scottish rail network is due to be delivered next month.\(^\text{12}\)

76. Other larger scale rail investment proposals, such as the Borders line and the new airport rail links, are both impressive in scale and intent. However, achieving implementation of these projects in the next 15 years will be a formidable task given the problems associated with different control bodies, approval mechanisms and disparate funding sources. Whilst projects such as new lines to Larkhall and Alloa will progress significantly in the next three years, the budgetary provision suggests that there may be little action on the remaining projects during this period.

77. The Committee welcomes the commitment made by the Minister to provide timelines for each of the proposed rail projects, including details such as the anticipated date of royal assent for the required private bills, the likely construction period, and the proposed opening date. **The Committee anticipates receiving this information shortly, and hopes that this will be updated on a regular basis.**

**Royal Mail rail services**

78. The Committee notes that the Executive has an objective of transferring freight from road to rail. Some of the rail investment initiatives set out in the budget document will assist in meeting this objective. In this context, the Committee regrets the decision of the Royal Mail to cease moving mail by rail. However, the Committee welcomes the Minister’s statement that he is involved in on-going discussions with the Royal Mail and the UK government with a view to encouraging the company’s future use of the railways. **The Committee wishes to be updated on the results of these discussions, while acknowledging that issues of commercial confidentiality may arise regarding some details.**

Lifeline Air Services

79. In evidence, the Committee raised with the Minister the apparent 24 per cent reduction in real terms in the Lifeline Air Service Subsidy budget line between 2003-04 and 2005-06. In response, the Minister stated that the figure:

“...seems to be based on an estimate, which appears to have been founded on wrong information or at least information that is now out of date. It is highly unlikely that the figure will go down in that way.”

80. The Committee is surprised that such an apparent error should appear in the budget document, and requests clarification on why this occurred and what the correct figures for lifeline air services are. If the unexpected figure is a result of changes to the way in which the budget lines are constructed or presented, then an explanation should have been included within the budget document. On a more general level, the Committee considers an explanation should be given for all unexpected changes which are made to specific budget lines.

Targets and Objectives

Monitoring of targets

81. Targets and objectives for the delivery of transport policies are an important element of the budget document. However, the timescales set for meeting certain targets are sometimes lengthy. The Transport Delivery Report, for example, indicates that the Executive will strive to stabilise road traffic at 2001 levels by 2021. In the view of the Committee, there would be merit in setting ‘staging post’ targets for such long term targets, to enable more effective monitoring of progress being made, and to enable remedial action to be taken if progress is not apparent.

82. In evidence, the Minister acknowledged this point, but he made no commitment to act on it. The Committee recommends that he should take action to establish more meaningful short term targets in areas where long term targets are currently used.

Suitability of targets

83. The Committee believes careful consideration should be given to the choice of targets, to ensure that if the Executive successfully meets a target, it is an accurate indication that a desired policy objective has been met. Sometimes targets have the potential to be misleading and may lead to incorrect assumptions.

84. One example is the target of increasing local bus journeys by 5 per cent by 2006. Whilst the Committee welcomes the Minister’s assertion that for the first time in decades the number of bus passengers is increasing, it might not follow that this will lead to a cut in road congestion (another Executive policy objective). Existing bus-users might be making additional journeys, for example, rather than bus services attracting people who might normally travel by car. If this is the case, the increase in passenger journeys will have little impact on reducing congestion.

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13 Col 119
15 Col 113
and might even exacerbate the problem by encouraging more journeys to be made.

85. **More detailed monitoring of the suitability of targets is therefore required, and targets should be established on a consistent basis to permit proper interpretation and comparison of results.** In particular, the base year for assessing trends should be the same for all relevant targets, and should be explicitly set out in the budget document. The Committee has identified two targets in the document which do not meet this basic standard of possessing a base year, namely the target “to increase rail passenger journeys on the Scottish rail network by a further 5% by 2006” and the target “to increase local bus journeys by 5% by 2006”.16

86. In evidence, the Minister himself acknowledged this weakness.

> “There should be clear and consistent base years for the targets. I will come back to you on that. I hope that there will be an opportunity outside the budget process to return to such issues. There should be greater clarity on that.”17

87. **The Committee recommends that all targets should be clear and unambiguous, and, in particular, that base years for assessing trends should be explicitly stated and, ideally, consistent between similar targets.** As it presently stands, the two targets referred to above are of little practical value. It will be impossible to ascertain whether or not they have been met.

**Other Issues**

* Sustainable transport

88. Despite the emphasis in the budget proposals on major initiatives to promote use of public transport and assist economic activity, there are also smaller initiatives which assist sustainability in transport, in particular, via the promotion of walking and cycling.

89. In evidence, the Minister stated that the Executive was committing more resources than ever to the promotion of walking and cycling, and he cited innovative work funded by the integrated transport fund and the rural transport fund18. **The Committee welcomes this overall approach, but considers that it is unable to comment properly on the funding of walking and cycling as the budget document does not explicitly indicate what funding levels are provided for.**

90. The Committee also considers that outcomes relating to spending on walking and cycling should be clearly established. The need to identify a clear link between budget spending and outcomes has already been highlighted in the section of the report on the local government budget. The Committee also notes that targets relating to sustainable transport need to be suitable and relevant. For example, there is little point in achieving a target to build a certain length of cyclepaths if

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16 Draft Budget 2004-05, Page 133  
17 Col 113  
18 Col 121
other factors, such as inappropriate siting of the paths, mean they are seldom used by cyclists.

Liaison between Scottish Executive departments
91. Some concern has been expressed that new initiatives, development of action plans and implementation have been hindered by inadequate liaison between Executive departments. This can lead to overlaps in areas of responsibility between the transport department and other departments, such as on the social inclusion and social justice agenda, or to omissions such as the almost complete lack of reference to public transport in the strategy for tackling anti-social behaviour in the document ‘Putting Our Communities First’.  

92. The Committee considers that close relationships between departments will be necessary if the ambitious transport initiatives in the budget document are to be achieved, including the partnership agreement proposals. The Minister acknowledged this point in evidence to the Committee:

“...the links are not good enough and we need to do more. It is all too easy for ministers to become focused on their departmental portfolio and their particular priorities and not to recognise the importance of those links.... I take that point on board and commit to trying to do something more about it.”

93. The Committee requests details of progress being made on this issue.

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19 http://www.scotland.gov.uk/consultations/social/pocf-00.asp
20 Col 118
Finance Committee  
Relocation Policy - Role and Remit of reporters

Background
1. At its meeting on 28 October, the Finance Committee appointed Fergus Ewing and Dr Elaine Murray as reporters to undertake further work into the Scottish Executive relocations policy.

2. The reporters on the Executive’s relocation policy met on Tuesday 4 November to discuss the remit and timescale for their work.

Remit
3. Following discussions, the reporters agreed to propose to the Committee the following remit for their work.

“To investigate Scottish Executive’s consistency of application of the criteria, weightings and costs by comparing the following relocations: Scottish Public Pensions Agency (175 people from Edinburgh to Galashiels), Scottish Executive Inquiry Reporters Unit (26 people from Edinburgh to Falkirk), Common Services Agency (Phase 1- 50 people to Aberdeen, 80 to Glasgow), Scottish Natural Heritage (Inverness) and the following new agency locations: Public Guardian’s Office (40 people to Falkirk) and Scottish Social Services Council and Scottish Commission for the Regulation of Care (160 people to Dundee);

To also investigate (where applicable) whether following relocation the experiences of the above organisations confirmed the initial assumptions made prior to relocation;

To seek information from the Irish Government on its relocation policy and experience to date;

To then consider the written evidence gathered, identify areas for questioning the Minister on and provide a draft report to the Committee by 10 December 2003.”

Recommendation
4. The Committee is invited to agree the above remit and timescale for the work of the reporters on the Executive’s relocation policy.

Jane Sutherland  
November 2003
Finance Committee
Scottish Water - Role and Remit of reporters

Background
1. At its meeting on 4 November, the Finance Committee appointed Jim Mather and Jeremy Purvis as reporters to investigate issues relating to Scottish Water.

2. The reporters on Scottish Water met on Wednesday 5 November to discuss the remit and timescale for their work.

Remit
3. Following discussions, the reporters agreed to propose to the Committee the following remit for their work.

“To investigate the following issues:

accountability – looking at the role of the Water Industry Commissioner, the relationship with Scottish Water, the Scottish Executive and local authorities

structure – looking at water charging and debt management

investment – looking at capital projects, the profile of procurement and borrowing, billing and financial management

and to suggest potential areas for questioning of Scottish Water and the Water Commissioner. A paper to the Committee will be completed by 26 November prior to the evidence-taking session to be scheduled for 2 December.

To analyse the output from this evidence session and to produce a report for the Committee by 15 January. This report will contain proposals for future action that may be taken by the Committee.”

Further steps
4. Prior the Committee’s meeting on 2 December, the reporters propose to write to those organisations who have already submitted written evidence with standard questions relating to the remit above. The reporters then propose to meet with those organisations. It is intended this will feed into the paper to be produced for the Committee on 26 November.

Recommendation
5. The Committee is invited to agree the above remit and timescale for the work of the reporters on Scottish Water.

Susan Duffy
November 2003