Finance Committee

Review of the Budget Process

Submission from the Scottish Women’s Budget Group

1. Introduction

This response has been prepared by SWBG in response to the Scottish Parliament’s Finance Committee’s consultation paper – Review of the Budget Process.

SWBG welcome the opportunity, provided by the Finance Committee’s consultation paper to contribute to the review of the budget process. In particular SWBG welcome the stated focus of the Committee to consider ‘both the processes for scrutiny and the resources available to support the Parliament in that task’.

SWBG have engaged with the Scottish budget process following the devolution settlement on a number of levels. The group have consistently provided written commentary in response to both the published annual spending plans and multi-year spending reviews; SWBG members have appeared before a number of committees during the scrutiny process to provide evidence in support of their written commentary and SWBG is an active member Equality Proofing Budgets and Policy Advisory Group of the Scottish Government, which has provided a forum for evaluating the Scottish budgetary process form an equality perspective. In addition to this group level activity, two individual members of SWBG were commissioned by the Scottish Executive in 2000 to track the first ever budget process of the newly established Scottish administration and to explore opportunities for incorporating a more gender aware approach to the resource allocation and related policy processes.¹

This paper should be considered in the context of the aforementioned activity. That is, SWBG, over the period since 1999 have maintained a level of active engagement with the budget process and as a result have developed an acute understanding of the practices and processes associated with the national budget and spending reviews as they have evolved. Furthermore, SWBG have consistently highlighted the relevance of the budget process in progressing with an overall equality mainstreaming agenda and have drawn attention to the meaningful opportunities, evident within the Scottish framework, for both Parliamentary Committees and the wider public to assess spending proposals and to subsequently inform patterns of public expenditure.

SWBG have highlighted a number of points below in response to the Committee’s focus on both process and resources. The key consideration for SWBG is how the current review of the budget process will address the lack of progress to date in promoting a more gender aware approach to the national budget. Thus, SWBG deem a significant outcome of the Scottish Parliament’s budget review process to be the implementation of measures designed to ensure adequate and effective consideration is given to equality objectives throughout the budget process. This is not only crucial if both the Parliament and Scottish Government are to meet their explicit commitments to mainstreaming equality but also, and perhaps more importantly, in ensuring that public services are resourced and delivered in accordance with current equality focused legislative requirements.

2. Processes for Scrutiny

The Current Process

As outlined in the consultation paper Stage 1 of the budget process last occurred in 2004 and will not take place until the next Spending Review, scheduled for 2009. Given the strategic function of Stage 1 in providing opportunities for consultation and effective engagement with the wider public to support the Parliament’s scrutiny of the Government’s future spending plans and priorities the current review should consider how best to improve upon the timing, frequency and nature of Stage 1.

SWBG believe the opportunity and space allowed via the current Stage 1 to have been key in facilitating a process of awareness raising and capacity building with regard to the rationale for, and methods employed in, gender responsive budgeting at the most relevant strategic level. That is, acting on an explicit commitment to gender or equality mainstreaming requires that policy priorities, and the resulting spending plans, are assessed with specific reference to equality considerations. Progress, albeit limited, had been made over the years and key developments such as equality statements in the budget documents can be attributed, in part, to activities and outcomes associated with Stage 1 of the budget scrutiny process. Although the use of equality impact assessment tools throughout the policy process is stated to be common practice across all Scottish Government activities, this practice is still under development. Indeed evidence of the actual use of such tools was non-existent in the Scottish Government’s most recent Budget and Spending Review.

The comprehensive and sustained employment of equality impact assessment tools at all stages of the policy process is an essential component of any effective equality mainstreaming strategy, demonstrating an approach that is ex-ante in nature. In theory, the national budget should reflect such an approach and respective budgetary allocations should be presented in a format that provides evidence of relevant equality impact. It is crucial then that
formal mechanisms are in place, providing the time and appropriate opportunities for effective Parliamentary scrutiny of the Government’s spending proposals. In practice, the limited application of equality impact assessment tools across the whole range of Government activities indicates that the spending plans detailed within the national budget will not necessarily comply with a commitment to equality mainstreaming. Thus it is even more crucial that mechanisms are in place for effective scrutiny with respect to an overall equality objective. Although *ex-post* in nature, and not consistent with a *mainstreaming* approach, the focus on the budget statement serves in highlighting any inconsistencies in terms of high level strategic priorities and resulting resource allocations.

In progressing with an equality mainstreaming agenda and in particular a commitment to ‘equality proof’ the budget SWBG would recommend the following:

- The retention and enhancement of Stage 1 of the budget process with a view to establishing more effective scrutiny. Stage 1 could effectively be viewed as a ‘pre-budget review process’.

- It is unclear as to whether the publication of the AER will continue and if not what will replace it. It is crucial that some form of ‘review of spending’ is retained as part of the budget process for the purposes of examining how resource allocations correspond with explicit high level strategic objectives. Rather than occur only in Spending Review years, Stage 1 should incorporate Stage 2 and in non-spending review years the focus is on scrutiny of public spend targeted at specific strategic policy objectives for the purpose of exploring evidence of progress.

- This enhanced Stage 1 would ensure that the budget scrutiny process fits with the key principles of FLAG in *providing the opportunity for the public to have the opportunity to put their views to subject committees, as well as individual MSPs at an early stage of the process and providing a meaningful role for subject and Finance Committees.* Opportunities can be provided but in order to be effective they have to be meaningful and formal. An enhanced and almost continuous Stage 1 would serve to focus attentions on the strategic function of the national budget statement. With an infrequent Stage 1 it is hard to envisage how the scrutiny process can be anything other than a mechanism for ensuring financial probity.

- An enhanced Stage 1 would require a commitment from Committees to undertake financial scrutiny in their inquiry work and other related activities routinely. This would be consistent with an overall mainstreaming approach in that it represents a transformation of the policy process that is *ex-ante* in nature. Scrutiny of spending would occur as a rule as opposed to occurring in response to the national budget statement, at a stage where there is little scope for change.
Role of the Finance Committee and the Equal Opportunities Committee

In supporting the implementation and ongoing development of an enhanced Stage 1 SWBG consider the Finance Committee to have a key role. If the Parliamentary budget scrutiny process is to operate as an effective challenge function and financial scrutiny is to become a significant feature of the work of all Committees it is considered crucial that Finance take the lead on this.

Practical experience of gender responsive budgeting in a range of other countries has highlighted the role of the Finance Department in supporting spending departments in developing more gender aware approaches to the policy process. Adopting a more effective ‘challenge function’ as opposed to a narrower focus on financial probity has been identified as key to success.

In progressing with an overall high level objective to promoting equal opportunities for all and the related commitment to equality mainstreaming it is essential that spending allocations are routinely considered with reference to equality impact. The Parliamentary budget scrutiny process is an obvious mechanism for ensuring such routine consideration takes place and the framework established in Scotland following the devolution settlement provides invaluable opportunities to capitalize on the current Committee structure.

In considering the role of the Finance Committee in an enhanced budget scrutiny process and the Committee’s relationship with other Committees, SWBG would recommend the following:

- The Finance Committee issues formal guidance at the outset of an enhanced Stage 1 to all subject Committees.
- In developing this guidance the Finance Committee should collaborate with the Equal Opportunities Committee, given their cross cutting strategic focus on equality. This would ensure sufficient consideration is given to equal opportunities which is essential for the purpose of enhancing the scrutiny process in line with an overall mainstreaming strategy

Role of the Budget

As indicated in the Consultation paper, the time restrictions relating to the formal budget process acts as a barrier in terms of effective scrutiny. SWBG agree with this and would add that the focus on the actual annual budget statement is constraining in terms of promoting a more gender aware approach to the resource allocation process.

SWBG would recommend the ‘mainstreaming of financial scrutiny’ as indicated above. This would serve to remove the very limiting focus on the annual budget statement and provides greater scope for developing
alternative spending plans consistent with promoting an equality objective.

The focus on the annual budget statement as opposed to the more strategic spending reviews is indicative of an *ex post* approach and therefore not consistent with an overall mainstreaming agenda. Furthermore experience to date indicates that there is little scope for actual shifts, other than minor adjustments, with respect to budgetary allocations as detailed in the budget documents and that the Parliamentary scrutiny process itself has offered little *meaningful* opportunities to present alternative spending proposals.

Engaging in financial scrutiny in a more systematic way would be more consistent with a mainstreaming strategy and would offer more *meaningful* opportunities to *develop* and *present* alternative spending proposals.

### 3. Resources to Support the Scrutiny Process

The provision of independent technical advice on budgetary matters as well as the relevant evidence base to inform critical evaluation and subsequent debate focused on the Government’s proposed and actual spending is considered crucial in terms of enhancing the Parliamentary budget scrutiny process.

SWBG believe that in order to support the scrutiny process in terms of promoting an overall mainstreaming strategy the Finance and Equal Opportunities Committees should take the lead and assume joint responsibility for overseeing the process. This could take the form of the formal guidance referred to above as well as a series of budget briefing papers or seminars for Committee members and their respective budget advisors. This would build capacity amongst all relevant actors and make explicit the relationship between the budget, financial scrutiny and the strategic objective to promote equal opportunities for all. The combined skills and remit of both Committees would effectively act as a resource in supporting the work of other Committees.

SWBG further believe the practice of appointing budget advisors across all Committees should continue and that there would be merit in having a dedicated Parliamentary Budget Office. Such a formal resource could draw upon the current skill base and specialist expertise evident within SPICE.

### 4. Concluding Comment

SWBG very much welcome the opportunities offered by the Finance Committee’s review of the Parliament’s process for scrutinizing the Scottish Government’s budget. Formal and meaningful scrutiny mechanisms are a key component of an overall equality mainstreaming agenda. The review presents an opportunity to enhance the existing scrutiny function of the Parliament in
line with an equality mainstreaming approach. SWBG believe this to be a significant development within a Scottish context in supporting and promoting a more gender aware approach to the resource allocation process.

The Scottish experience of gender budgeting to date has attracted significant attention from an international audience and a number of international publications have highlighted the Scottish case study as a practical example of the benefits of a focus on process. Most recently two members of the SWBG were invited to give evidence to the Status of Women Canada Standing Committee of the Canadian Parliament. The purpose of the evidence session was to highlight how the practices and processes associated with the Scottish Parliamentary Committee structure provided a favourable framework for developing more gender sensitive budgeting. In particular the Status of Women Canada Committee was interested in the role played by Equal Opportunities Committee throughout the budget process. The appointment of specialist advisors and the collaborative relationship with the Finance Committee was considered a model of good practice and the Committee was keen to track developments in Scotland with a view to sharing such good practice.

Clearly the emphasis on process and the role of the Parliamentary Committees has the potential to continue to promote Scotland as pioneering, with respect to developing and promoting gender budgeting, at an international level. The Finance Committee and the Equal Opportunities Committee, working in partnership, could provide a framework for ensuring the budget scrutiny process evolves in line with a sustainable and systematic approach to equality mainstreaming.

SWBG would be pleased to discuss these comments further.