The Scottish Parliament

FINANCE COMMITTEE

AGENDA

7th Meeting, 2001 (Session 1)

Tuesday 13 March 2001

The Committee will meet at 10.00 am in Committee Room 2 to consider the following agenda items:

1. **Committee Business:** The Committee will consider whether to take agenda items 7, 8 and 9 in private.

2. **Proposed Contingent Liability:** The Committee will consider the following minutes from the Scottish Executive Health Department—

   Contingent Liability: Scottish National Blood Transfusion Service Protein Fractionation Centre clinical trials (SE/2001/68)

   Contingent Liability: Scottish National Blood Transfusion Service Proposed Contract with Egypt (SE/2001/73).

   The Committee will take evidence from—

   Dr Aileen Keel, Deputy Chief Medical Officer

   John Aldridge, Director of Finance, Scottish Executive Health Department

   Angus Mcmillan Douglas, Director of the Scottish National Blood Transfusion Service

   Dr Bob Perry, Director of the Protein Fractionation Centre.

3. **Convention Rights (Compliance) (Scotland) Bill:** The Committee will consider the provisions of the Bill which introduce new or increase existing expenditure charged on or payable out of the Scottish Consolidated Fund (under Standing Orders Rule 9.12).

4. **2002/03 Provisional Expenditure Plan for SPCB:** The Committee will consider the provisional expenditure plan for the Scottish Parliament Corporate Body for 2002/03.

5. **2002/03 Provisional Expenditure Plan for Audit Scotland:** The Committee will consider a letter from the Convener of the Scottish Commission for Public Audit.

6. **2002/03 Budget Process:** The Committee will consider arrangements for Stage 1 of the Budget Process.

7. **Inquiry into PFI/PPP:** The Committee will consider a paper from SPICe on the draft remit of the inquiry.

8. **Inquiry into PFI/PPP:** The Committee will consider the appointment of an adviser.

9. **External Research:** Professor Arthur Midwinter will present the draft findings of Stage 2 of his research.

Callum Thomson
Clerk to the Committee
Room G.6, Committee Chambers
Tel. 0131 348 5215
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The papers for this meeting are:

Agenda Item 2

Minute from the Scottish Executive Health Department (SE/2001/68)	FI/01/7/1
Note from Scottish Executive Health Department	FI/01/7/2
Minute from the Scottish Executive Health Department (SE/2001/73)	FI/01/7/3
Note from Scottish Executive Health Department	FI/01/7/4

Agenda Item 3

Convention Rights (Compliance) (Scotland) Bill	FI/01/7/5
Explanatory Notes	FI/01/7/6
Policy Memorandum	FI/01/7/7

Agenda Item 4

Letter from the Presiding Officer, enclosing provisional expenditure plan for SPCB for 2002/03	FI/01/7/8

Agenda item 5

Letter from Convener of the SCPA to the Convener, enclosing letter from Director of Corporate Services, Audit Scotland	FI/01/7/9

Agenda item 6

Letter from Minister for Finance and Local Government to Convener	FI/01/7/10

Agenda Item 7

Draft inquiry remit	PRIVATE PAPER

Agenda Item 9

Cover note from SPICe	PRIVATE PAPER
Stage 2 Research Report (Draft)	PRIVATE PAPER

MINUTE FROM THE SCOTTISH EXECUTIVE HEALTH DEPARTMENT

CONTINGENT LIABILITY: CLINICAL TRIAL OF BLOOD PRODUCTS PRODUCED BY THE SCOTTISH NATIONAL BLOOD TRANSFUSION SERVICE PROTEIN FRACTIONATION CENTRE

1. When a Department of the Scottish Executive proposes to undertake a contingent liability in excess of £1m, for which there is no specific statutory authority, it is appropriate to report the circumstances to the Scottish Parliament. This minute gives particulars of such a liability and explains the circumstances. Under arrangements between the Finance and Audit Committees and the Scottish Executive on in year changes to expenditure allocations, the Finance Committee should approve, or propose an amendment, within 20 days. Accordingly the Scottish Executive undertakes to take no action during this time.

2. Clinical trials of new and safety-enhanced products produced by the Scottish National Blood Transfusion Service's (SNBTS) Protein Fractionation Centre is an essential part of the process for the SNBTS to obtain a licence for each product. In 1993, the Scottish Home and Health Department informed the Westminster Parliament that it intended to enter into a contingent liability (with prior Treasury approval) to pay any legal and other costs of those medical staff working on the clinical trials approved by the Department unless there was negligence on the part of these staff or it was demonstrated that they had not followed the written protocol for the trial. The resulting liabilities encompassed the cost of any damages claims from patients arising from the said clinical trials of the said new products. It is not possible to quantify the costs, which might arise from these liabilities. A total of 30 clinical trials have been approved since 1993 and 125 letters of indemnity have been issued. No claims have so far been received.

3. Clinical trials form an inescapable part of SNBTS business. Scottish Ministers are of the view that such trials could not proceed without indemnification. In terms of the Scotland Act 1998, functions in relation to supplies of blood (and blood products) have devolved to the Scottish Ministers. Accordingly, the Scottish Ministers consider that the 1993 Westminster Minute is no longer relevant. It is now appropriate to inform the Scottish Parliament that contingent liabilities of this type will be entered into.

4. The purpose of this Minute is therefore to make Parliament aware of the liability and to provide details of the trials proposed during the next twelve months (see attached Annex) for which indemnities may be granted. Departmental approval for the trials of new products will be given on a product by product basis on an assessment of the need for the product and the risk of any ill effect. All of the trials will have prior approval from the Medicines Control Agency under the Clinical Trials Exemption Scheme and are also subject to Ethics Committee approval. The indemnity is of a standard type given in the course of trials conducted on behalf of pharmaceutical companies.

Scottish Executive Health Department
February 2001

List of Planned SNBTS Studies (as at 1st February 2001). **Annex to SE/2001/68**

Product	1.1 Study Title/ clinical area / Rationale	Details of Study	Planned start date
Fibrin Sealant (unlicensed) Clinical Studies have already been conducted on this product – further data required.	**2 FS-011 – An Open Clinical Study To Assess The Efficacy And Safety Of SNBTS Fibrin Sealant In Elective Liver Surgery** Study of the ability of Fibrin Sealant to restore haemostasis in patients undergoing liver surgery Patients will be monitored for adverse events and followed up for virus safety	Aim to recruit 25 patients Expected Duration: 9 months Location: Birmingham, due to it being a centre of excellence, and a 'last line' treatment centre (i.e. patients are referred there from a range of clinics that cannot treat them). Scottish centres are involved in other SNBTS studies.	March 2001
	FS-015 – Influence of Fibrin Sealant on biliary leakage after Liver Surgery for hepatic malignancy Biliary leakage occurs in 25% of patients undergoing this type of surgery. This complication leads to an increase in morbidity and the need for further surgical intervention. This study aims to demonstrate that Fibrin Sealant reduces the incidence of biliary leakage. Patients will be monitored for adverse events and efficacy of treatment	Aim to Recruit 90 patients Expected Duration: 3 years Location Dundee only	March 2001

Fibrin Sealant (cont'd)	FS-016 – Occurrence of thrombocytopaenia after use of Fibrin Sealant for cryoablation of hepatic malignancy Liver metastases are often difficult to treat surgically, and are treated by freezing the malignant tissue. However, this can result in significant blood loss, and also activation of the coagulation cascade. This leads to significant morbidity and mortality. This study aims to demonstrate that Fibrin Sealant reduces the incidence these complications. Patients will be monitored for adverse events and efficacy of treatment.	Aim to study 20 patients and compare with 20 uncomplicated procedures Expected Duration: 18 months Location: Dundee only	March 2001

UV Albumin (unlicensed) This is an improved version of the already licensed ALBA product, and incorporates an additional virus inactivation step during manufacture.	UVA-001 A Study to Evaluate the Efficacy and Immediate Safety of a 4.5% Human Albumin Solution Incorporating a UV Virus Inactivation Step Manufactured by the Scottish National Blood Transfusion Service To evaluate the tolerability, efficacy and safety of a 4.5% Human Albumin product incorporating a UV virus inactivation step in patients requiring therapeutic plasma exchange Patients will receive a single or repeat infusions over the six month period of the study as deemed necessary by their consultant to treat their clinical condition Dosage schedules will be equivalent to those licensed for SNBTS ALBA 4.5% (Human Albumin Solution 4.5%) (PL3473/0031) Patients will be monitored for adverse events and followed up for virus safety	Aims to recruit 20 patients and follow up for 6 months. Expected Duration: 18 months Study to be carried out in several centres within Scotland	March 2001

3 S/D HT DEFIX (unlicensed) This is an improved version of the already licensed DEFIX product, and incorporates an additional virus inactivation step during manufacture.	DF-001 A study to assess the safety and efficacy of a new double virus inactivated prothrombin complex concentrate (S/D DEFIX) manufactured by the Scottish National Blood Transfusion Service in patients requiring reversal of oral anticoagulant treatment To evaluate the safety and efficacy of a double virus inactivated prothrombin complex concentrate (PCC) in patients requiring reversal of oral anticoagulant treatment Single infusion based on 50IU/kg bodyweight with monitoring of coagulation. Further infusion(s) if necessary to achieve normal values of prothrombin time. Dosage schedules equivalent to currently licensed single virus inactivated PCC (PL 3473/0008) Patients will be monitored for adverse events and followed up for virus safety.	Aims to recruit 20 patients and follow up for 6 months. Expected Duration: 18 months Study to be carried out in Scotland	March 2001

Liquid Immunoglobulin **(unlicensed)** **This product is a new formulation of the existing licensed product Human Immunoglobulin for intravenous use.**	LIG-003 A study to assess the efficacy and immediate safety of a liquid formulation of intravenous immunoglobulin manufactured by the Scottish National Blood Transfusion Service in patients where treatment of their medical condition with IVG is deemed appropriate by the consultant in charge. To assess the efficacy and safety of SNBTS Liquid Immunoglobulin administered by the intravenous route. **Patients will be monitored for efficacy, safety, adverse events and followed up for virus safety.**	Open study to be carried out in about 5 sites within Scotland. Maximum 40 patients to be recruited and follow up for 6 months.	March 2001

Human Normal Immunoglobulin (unlicensed) This is an improved version of the already licensed Human Normal Immunoglobulin product, and incorporates an additional virus inactivation step during manufacture. One study (VIM-001) has already been conducted on this improved product, but the planned study will examine a different route of administration.	SCIG-001 A study to assess the efficacy and safety of a pH4 treated Human Normal Immunoglobulin preparation manufactured by the Scottish National Blood Transfusion Service when administered by the subcutaneous route To assess the efficacy and safety of SNBTS pH4 Treated Human Normal Immunoglobulin administered by the subcutaneous route in patients with primary immunodeficiency syndromes. Patients will receive regular infusions over the 6 month period and will have their trough serum IgG levels monitored and wellbeing assessed throughout. They will also be monitored for adverse events and followed up for virus safety.	Aims to recruit 15 patients and follow up for 6 months. Expected duration: 18 months Study to be carried out across the UK	March 2001

FINANCE COMMITTEE CONSIDERATION OF SE/2001/68 – CONTINGENT LIABILITY - SCOTTISH NATIONAL BLOOD TRANSFUSION SERVICE (SNBTS) CLINICAL TRIALS

1. The following information is provided to answer specific concerns we know were raised by the Committee during its meeting on 6 March. Officials will attend the next meeting of the Committee on 13 March to answer any further questions the Committee may have.

2. The Protein Fractionation Centre (PFC), SNBTS' industrial manufacturing facility was set up in 1975 in order to give Scotland self-sufficiency in blood-products. This was done to ensure products of the highest quality and safety were available free of charge to the NHS in Scotland.

3. In 1993, with prior Treasury approval, the Scottish Office Home and Health Department laid a minute before the Westminster Parliament advising that it intended to enter into a contingent liability to pay (in the event of non-negligent harm) legal and other costs of those medical staff working on clinical trials approved by the Department of new or safety enhanced blood products produced by SNBTS.

4. As the production and development of blood and blood products for the National Health Service in Scotland is a devolved function, the liability, should it be called up, would now have to be met from the Scottish Consolidated Fund.

5. The reason behind the granting of the indemnity was that patients and clinicians would be reluctant to participate in clinical trials because of the possible risks of injury, however minimal, in testing new products without such protection. Departmental approval for clinical trials of new products is given on a product by product basis on an assessment of the need for the product and the risk and benefits involved. All of the trials are approved by the Medicines Control Agency under the Clinical Trials Exemption Scheme and are also subject to Ethics Committee approval. This type of indemnity is standard practice within the pharmaceutical industry.

6. The clinical trials are an essential part of the process for SNBTS to obtain a licence for the product. Without this ability SNBTS would be unable to produce new or safety enhanced products for patients in Scotland and their manufacturing facility at the PFC could not sustain a viable and effective operation. Clinical trials are seen as an essential part of NHSScotland business. Ministers wanted to make Parliament aware they propose to continue to enter into contingent liabilities of this type. The list of this year's trials was indicative; it was not the intention to seek approval for clinical trial indemnities on an annual basis.

7. <u>Quantifying the liability</u>: It is difficult to provide a meaningful "guesstimate" because we have no experience of claims ever having been made after this type of clinical trial. Since the procedure was introduced in 1993, a total of 30 clinical trials have been approved and 125 letters of indemnity issued to participating clinicians. No claims have been made: we anticipate that this will be the position in future; the chance of having to pay out anything is slim. The 'Minute' laid before Parliament advises of the intention to enter into a contingent liability in excess of £1m because it

is not possible to quantify the costs which might potentially arise from these liabilities.

8. Limiting the liability: It has been suggested in the Committee's discussions that the Scottish Executive might assign a limited contingent liability to each trial. This would involve in its turn setting a limit for clinicians and patients, which is outwith standard industry practice (for example, guidelines from the Association of the British Pharmaceutical Industry do not allow for the specification of a limit).

9. Insurance: - Clinical trials of the products are essential NHS business. Government Accounting 27.2.6 states that the range and total size of the Government's business is such that insurance is not justified. In general it is deemed more cost-effective to meet liabilities as they arise rather than pay insurance premiums.

SNBTS do hold product liability insurance for contracts with third parties.

10. Sharing the risks commercially – These clinical trials are on products for supply to the NHS free of charge and form part of SNBTS' core business. Commercial companies are looking to profit. Sharing the manufacturing commercially would therefore attract a cost rather than a saving to the wider NHS..

SANDRA FALCONER (MRS)
SEHD
Tel: 0131 244 2434
8 March 2001

MINUTE FROM THE SCOTTISH EXECUTIVE HEALTH DEPARTMENT

CONTINGENT LIABILITY: CONTRACT TO TRANSFER TECHNOLOGY FROM THE SCOTTISH NATIONAL BLOOD TRANSFUSION SERVICE (SNBTS) TO THE EGYPTIAN ORGANISATION FOR THE BIOLOGICAL PRODUCTS AND VACCINES (VACSERA) WHICH IS OWNED BY THE EGYPTIAN GOVERNMENT

1. When a Department of the Scottish Executive proposes to undertake a contingent liability in excess of £1m, for which there is no specific statutory authority, it is appropriate to report the circumstances to the Scottish Parliament. This minute gives particulars of such a liability and explains the circumstances. Under arrangements between the Finance and Audit Committees and the Scottish Executive on in year changes to expenditure allocations, the Finance Committee should approve, or propose an amendment, within 20 days. Accordingly the Scottish Executive undertakes to take no action during this time.

2. The Scottish National Blood Transfusion Service (SNBTS) intends to enter into a contract with the Egyptian Organisation for Biological Products and Vaccines (VACSERA). The contract will involve the transfer of technology and manufacturing processes to enable VACSERA to manufacture the blood products listed on the attached annex under licence at a plant to be built in Cairo, Egypt. The products will be made from plasma collected in Egypt for distribution and sale in Egypt and other countries in the Middle East and Africa. The Scottish Executive Health Department intends to enter into a contingent liability to pay the legal or other costs, in excess of those recovered by insurance, arising from any damages awarded against SNBTS through the transfer of technology. The contract does not involve the supply of any blood or blood products by SNBTS. SNBTS currently have Professional Liability Insurance with an indemnity limit of £5m per incident. It is not possible to quantify the costs, which could arise from this contingent liability.

3. Entering into this contract would provide benefit to the NHSScotland by using SNBTS' publicly financed assets more fully and generating income for the Service. In addition SNBTS is now playing an increasingly important part in promoting Scotland's biotechnology industry at home and abroad. Estimated gross income from this contract would be around £1.7 million inclusive of royalties over a period of 8 years. The potential income from similar contracts is considered to be around £7.5m p.a. or 15% of SNBTS' annual budget.

4. The principle of SNBTS securing commercial income is already established, as is the principle of the administration incurring a contingent liability. SNBTS already have a contract for an exchange of technology with Taiwan linked to the contract for processing of Taiwanese plasma for re-export to Taiwan, a contract for the supply of surplus blood products to Turkey and another for the supply of products to India. These were notified to the United Kingdom Parliament in July 1998 and the Scottish Parliament in April and June 2000 respectively. More recently VACSERA has indicated that it would also be interested in purchasing surplus products from SNBTS. This will be reported separately when a formal approach is made by VACSERA.

5. The Foreign and Commonwealth Office and the Department of Trade and Industry have confirmed that they do not object.

Scottish Executive Health Department
February 2001

Annex to Minute SE/2001/73

	The Product	Trade Name	UK Regulatory Status at Dec. 2000	Dose Size
1.	**Albumin**	ALBA®	Full UK Marketing Authorisation (MA) (Product Licence (PL) No. 3473/0021) (PL No. 3473/0033) (PL No. 3473/0031)	20% • 100ml • 4.5% • 100ml • 400ml
2.	**Factor VIII (Single VI)**	LIBERATE®	Full UK MA (PL No. 3473/0030)	3501U
3.	**VI Intramuscular Immunoglobulin (Normal)**	VIMUNE™ (IM Normal)	Full UK MA* (PL No. 3473/0014)	250mg
4.	**Specific Immunoglobulins**			
	Intramuscular			
	• Anti-Tetanus	VIMUNE ™ (IM Anti-Tetanus)	Full UK MA (PL No. 3473/0019)	2501U
	• Anti-Hepatitis B	VIMUNE™ (IM Anti-Hepatitis B)	Full UK MA (PL No. 3473/0016)	5001U
	• Anti-D	VIMUNE™ (IM Anti-D)	Full UK MA (PL No. 3473/0015 (PL No. 3473/0022)	2501U 5001U
	Intravenous			
	• Anti-Tetanus	VIMUNE™ (IV Anti-D)	Approved For 'Named Patient Basis Only' (PL No. ML3473/1)	3g
5.	**Intravenous Immunoglobulin (Liquid)**	VIMUNE™ L (IV Normal)	Approved for Clinical Trial**	5g

Footnote:

1 * A Product Licence Application (PLA) for VIMUNE™ (IM Normal) including a specific virus inactivation step has been submitted to the UK Medicines Control Agency (MCA). The process for this improved product will be transferred to VACSERA.

2 ** The liquid intravenous immunoglobulin product [VIMUNE L (IV Normal)] is currently in clinical trial. SNBTS expects the trial to be completed and the PLA to be submitted to the UK MCA during the time of building and commissioning of the VACSERA Plant. However SNBTS can not guarantee that full MCA approval will be granted by the MCA before the aforementioned Plant is operational.

FINANCE COMMITTEE CONSIDERATION OF SE/2001/73 - CONTINGENT LIABILITY - SCOTTISH NATIONAL BLOOD TRANSFUSION SERVICE PROPOSED CONTRACT WITH EGYPT FOR THE TRANSFER OF INTELLECTUAL PROPERTY RIGHTS

Background

1. This background note is being provided to give the Finance Committee some additional information to assist in their consideration of Minute SE/2001/73 which is on the agenda for the Committee's meeting on 13 March. Officials will be in attendance at the meeting to answer any additional questions the committee may have.

2**.** VACSERA (an Egyptian Government Institute) is responsible for the maintenance, supply and testing of a range of biological products (including vaccines) for use throughout Egypt. The Egyptian Government recently took the decision to invest in the reconstruction of their fractionation facility (which is operated as part of VACSERA) and to licence in modern fractionation processes. SNBTS were approached with a view to them providing the manufacturing technology for some blood products (Factor VIII, Factor IX, Albumin and Intravenous Immunoglobulin).

3. SNBTS involvement is restricted to technology transfer (intellectual property and know how) and there is no product liability involved. There is no contract manufacturing by SNBTS nor will any SNBTS products be supplied under this contract. As indicated in SE/2001/73 VACSERA has more recently approached SNBTS about the purchase of surplus products. Any contract with VACSERA for the supply of products will be reported separately in due course.

4. SNBTS has previous experience in negotiations of this type as their current contract with Taiwan also involves the transfer of property rights. The gross income from this contract would be around £1.7million inclusive of royalties over a period of eight years.

5. The deal represents a significant vote of confidence in SNBTS as an international centre of excellence in the field of plasma fractionation. It demonstrates how public assets can be used beneficially in public/private partnerships, as well as the continuing strength and international renown of Scottish technical expertise. The income generated will be ploughed back into the health service for the benefit of Scottish patients.

SANDRA FALCONER
SEHD
Tel: 0131 244 2434
9 March 2001

The Rt Hon Sir David Steel KBE MSP
The Presiding Officer

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9 March 2001

SPCB PROVISIONAL EXPENDITURE PLAN FOR 2002-03

I am pleased to submit the SPCB provisional expenditure plan for the 2002-03 financial year. The proposal is at Level 1 detail.

The SPCB has identified a provisional funding requirement totalling £116.7 million for 2002-03. This is an increase of £9.7 million from the indicative estimate that the SPCB gave to the Finance Committee last year and the reason for this is explained below.

Revenue Expenditure

The revenue expenditure in 2002-03 has increased due to the continued development of the parliament and its services. However, this increased expenditure will be met by carrying forward underspends on the SPCB's revenue budgets accumulated in 1999-00 through to 2001-02, which is in accordance with the principle agreed with the Finance Committee for our 2001-2002 budget. The SPCB is therefore not seeking any additional revenue funding in 2002-03.

Capital Expenditure

As the Committee will be aware, the capital expenditure plans are primarily the costs associated with Holyrood. The current forecast capital expenditure plan for the Holyrood project has changed substantially from the previous submission due to a re-phasing of the £195 million project. Capital expenditure of £9.7 million has now been accelerated from 2003-04 to 2002-03. This is not additional expenditure, but rather a re-profiling of the existing expenditure plan. The SPCB requests additional capital funding of £9.7 million in 2002-03 to meet these costs.

The SPCB has received reports from the Holyrood Progress Group (HPG) which indicate that inflationary pressures are materialising which HPG judge are unlikely to be fully contained within the project contingency. Additional resources will be required if these pressures cannot be contained within the £195m, the construction component of which was at 1998 price levels and which did not include any allowance for building industry inflation. We have been advised by HPG that the position will be clearer following the tendering of further large contracts and shall report back to the Finance Committee as soon as we are able to quantify the budgetary impact of the additional resources identified by HPG.

The SPCB is required, as part of our agreement, to present more detailed expenditure plans to the Finance Committee in August 2001. However, we propose to keep the Finance Committee and the Scottish Executive informed of any changes to the SPCB estimates at as early a stage as possible.

I am copying this letter to Angus McKay.

David Steel

SCOTTISH PARLIAMENTARY CORPORATE BODY

SPCB aim: To provide the Parliament, or ensure the Parliament is provided with the property, staff and
required for the Parliaments purposes.

OPERATING BUDGET SHOWING RESOURCES ALLOCATED TO OBJECTIVES:
Scottish Parliamentary Corporate Body

Objective: To enable the efficient and effective conduct of parliamentary business.

Operating Budget (note 1)	**2001-02 £'000**	**2002-03 £'000**
Costs		
Revenue Expenditure	45,035	44,538
Capital Expenditure	81,700	61,600
Capital Charges (note 2)	9,948	14,175
Total Gross Expenditure	136,683	120,313
Less Retained Income	-200	-200
Operating Expenditure	**136,483**	**120,113**
Less: Revenue EYF brought forward	-9,575	-3,385
Capital EYF brought forward	-31,200	
Resource Funding Requirement	**95,708**	**116,728**
Less: previous estimate of Resource Budget funding requirement (Nov. 2000)	**95,708**	**107,028**
Increase in funding requirement for 2002-03	**N/A**	**9,700**

Operating Budget (net of Capital Charges) (Note 3)		
Administration Costs		
Revenue expenditure	45,035	44,538
Capital Expenditure	81,700	61,600
Less: Other Income	-200	-200
Operating Budget	**126,535**	**105,938**

Notes

(1) In line with Resource Accounting and Budgeting requirements, recoverable VAT is netted off directly against Revenue and Capital Expenditure. Previous budget submissions, under cash accounting, showed this under "Retained Income".

(2) Capital charges were introduced by Resource Accounting and Budgeting to reflect the depreciation in value of assets and the cost of capital. These did not form part of the previous "cash accounting" budgets.

(3) This table shows operating cost net of capital charges.

d services

2003-04 £'000
46,261 8,300 18,675
73,236 -200
73,036
73,036
76,300
N/A

46,261 8,300 -200
54,361

FI/01/7/9

Mr Callum Thomson
Secretary
Scottish Commission for Public Audit Scotland
Scottish Parliament
EDINBURGH
EH99 1SP

1 March 2001

Dear Callum

Audit Scotland Budget 2002-3

Following our telephone conversation this week, I write to provide a provisional estimate of Audit Scotland's funding requirement from Parliament for 2002-3. We estimate that, on a resource basis, we require£4.465m. This compares with £4.665m for 2001-2 and the reduced figure reflects the removal of non-recurring items from the budget. We are assuming the same level of audit provision for 2002-2 as for 2001-2.

I hope that this estimate meets your requirements, but please do not hesitate to get in touch should you require any further information.

I look forward to meeting up with you next week to discuss further the information requirements of the SCPA.

Yours sincerely

Diane McGiffen
Director of Corporate Services

Scottish Commission for Public Audit
Convener*: Patricia Ferguson MSP*

Mike Watson MSP
Convener
Finance Committee
Scottish Parliament
PHQ Room 4.6

7 March 2001

The Scottish Commission for Public Audit is currently considering the provisional expenditure plans for Audit Scotland for the financial year 2002/03. As you will be aware the budget for Audit Scotland is similar to that of the SPCB in respect that it has a prior call on the Scottish Consolidated Fund.

In accordance with the current written agreement on the annual budgetary process, I enclosed a copy of a letter from Diane McGiffen, Director of Corporate Services, Audit Scotland outlining the provisional expenditure plan for Audit Scotland for 2002/03.

Copies of both letters go to the Minister for Finance and Local Government and Diane McGiffen.

Yours sincerely

CONVENER

Patricia Ferguson MSP,
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SCOTTISH EXECUTIVE

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March 2001

Thank you for your letter of 13 December in which you set out the Finance Committee's short term recommendations for the improvement of the Annual Expenditure Report. You indicated that you would write again with the Committee's thoughts on the direction you envisage for the Annual Expenditure Report in the longer term.

We are aiming to publish this year's Annual Expenditure Report on 30 March. We will try to take on board your requests for changes in the presentation, representation of figures, and use of aims and objectives in the document. However, improvements in the process of reviewing and improving publications is likely to be ongoing, and improvements in some areas will be incremental and take some time to come to full fruition. In particular, the linkage between expenditure and aims, objectives and targets, and achieving a real consistency and high standard in the aims and objectives throughout the document will take a few years to develop fully. In addition, with respect to your request for performance monitoring information, the systems required to collate this information are not yet in place. However we will of course present the information where we have it.

ANGUS MACKAY