



**FINANCE COMMITTEE**

**AGENDA**

**13th Meeting, 2001 (Session 1)**

**Tuesday 5 June 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 item 5 in private.
2. **Inquiry into the Application of Consultative Steering Group (CSG) Principles in the Scottish Parliament:** The Committee will consider a paper from the Procedures Committee.
3. **Mainstreaming Equal Opportunities in Committees:** The Committee will consider a paper on mainstreaming equal opportunities in committee work.
4. **2002/03 Budget Process:** The Committee will consider the Stage 1 budget reports of the subject committees.
5. **Inquiry into Resource Accounting and Budgeting:** The Committee will consider a revised draft report.

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The papers for this meeting are:

**Agenda item 2**

Paper from the Procedures Committee FI/01/13/1

**Agenda item 3**

Paper from the Equal Opportunities Committee FI/01/13/2

**Agenda Item 4**

*Members are reminded to bring their copy of the AER*

Paper by Brian Ashcroft *to follow*

Education Committee Stage 1 Report FI/01/13/3

Enterprise & Lifelong Learning Committee Stage 1 Report FI/01/13/4

Equal Opportunities Committee Stage 1 Report FI/01/13/5

Health Committee Stage 1 Report FI/01/13/6

Justice 1 & 2 Committees Stage 1 Report FI/01/13/7

Local Government Committee Stage 1 Report FI/01/13/8

Rural Development Committee Stage 1 Report FI/01/13/9

Social Justice Committee Stage 1 Report FI/01/13/10

Transport & Environment Committee Stage 1 Report FI/01/13/11

**Agenda item 5**

Revised draft report on Resource Accounting and Budgeting PRIVATE PAPER

## PROCEDURES COMMITTEE

### INQUIRY INTO THE APPLICATION OF THE CONSULTATIVE STEERING GROUP PRINCIPLES IN THE SCOTTISH PARLIAMENT

#### Purpose

1. The Procedures Committee would be grateful if all committees would consider whether it is appropriate for them to make a submission to this enquiry.

#### Background

2. In June 1999 the Parliament endorsed the Report of the Consultative Steering Group on the Scottish Parliament (CSG) and the Report's key principles of sharing the power, accountability, accessibility and equal opportunities. The Report recommended that the Parliament should "take stock" by measuring its achievements against these principles.
3. The Procedures Committee is undertaking this task and launched its enquiry on 3<sup>rd</sup> April. **A copy of the press release is attached.**
4. The remit of the enquiry is:

"Whether the key Consultative Steering Group principles as endorsed by the Parliament – sharing power, accountability, accessibility and equal opportunities – are being implemented in the Parliament, to what extent and with what success."

#### Consultation

5. MORI has been appointed to conduct an extensive consultation exercise with all MSPs and staff individually, as well as externally with the general public

#### *Consultation with committees*

6. The Committee is particularly concerned to ensure that relevant experience of committees is included in the enquiry.
7. As the enquiry is likely to generate evidence on matters that are highly relevant to the Equal Opportunities Committee and the Public Petitions Committee the relevant clerks have been kept closely in touch and Murray Tosh has written to the Conveners of both committees.

#### Conclusion

8. The Procedures Committee's enquiry into the application of the Consultative Steering Group principles in the Scottish Parliament is a wide ranging enquiry involving an extensive internal and external consultation exercise.

9. While the views of Members will be sought on an individual basis, the Procedures Committee considered that individual committees may wish to consider making submissions.
7. ***The Procedures Committee would be pleased to hear from any committee that wishes to make a submission and present oral evidence.***



## The Scottish Parliament

*Parliamentary News Release 0019/2001*

**0019/2001**

Tuesday 3 April, 2001

### **HOW HAS THE PARLIAMENT EMBRACED THE C.S.G. PRINCIPLES? HAVE YOUR SAY**

#### **Views sought on action to date on sharing power, accountability and equal opportunities**

The success or otherwise of the Parliament putting the 'key principles' of **sharing power, accountability, accessibility and equal opportunities** into practice since it began operation in May 1999 is to be examined by the Procedures Committee.

The public, outside organisations, the Scottish Executive, Parliament staff and MSPs themselves are being invited to give views on how the Parliament has begun to implement the Consultative Steering Group's (CSG) 'key principles' during the past two years.

The Parliament endorsed the CSG Report in June 1999. One of that Report's key recommendations was that the Parliament should "take stock" at the end of each Parliamentary year and measure its achievements against the key principles, which are:

- the Scottish Parliament should embody and reflect the **sharing of power** between the people of Scotland, the legislators and the Scottish Executive;
- the Scottish Executive should be accountable to the Scottish Parliament and the Parliament and the Executive should be **accountable** to the people of Scotland;
- the Scottish Parliament should be **accessible, open, responsive** and develop procedures which make possible a **participative** approach to the development, consideration and scrutiny of policy and legislation;
- the Scottish Parliament in its operation and its appointments should recognise the need to promote **equal opportunities** for all.

## Remit

The Procedures Committee has agreed the following remit for this Enquiry: *"Whether the key CSG principles as endorsed by the Parliament - sharing power, accountability, accessibility and equal opportunities - are being implemented in the Parliament, to what extent and with what success."*

## Evidence

In the first instance, evidence is requested in writing. It is anticipated that oral evidence sessions will be organised at a later date with individuals and representative organisations. Questions on which the Committee would be particularly interested in having views may be obtained by calling the Assistant Clerk on 0131 348 5178, the Clerk on 0131 348 5175 or on the Parliament website [www.scottish.parliament.uk](http://www.scottish.parliament.uk)

## Timetable

**Written evidence should be submitted by Tuesday, 26 June 2001.** Oral evidence sessions will be scheduled subject to the Committee's business programme.

## BACKGROUND NOTES

The membership of the Procedures Committee is Convener, Murray Tosh (Con), Deputy Convener, Kenny Macintosh (Lab), Brian Adam (SNP), Patricia Ferguson (Lab), Donald Gorrie (Lib-Dem), Frank MacAveety (Lab) and Gil Paterson (SNP). Professor David McCrone of Edinburgh University has been appointed recently as adviser to the enquiry.

Written evidence can be submitted in the following ways:

- By e-mail to [Procedures.Committee@scottish.parliament.uk](mailto:Procedures.Committee@scottish.parliament.uk)
- On computer disk in word 98 plus one hard copy, or by letter to The Clerk to the Procedures Committee, The Scottish Parliament, Chamber Office, Parliament Head Quarters, George IV Bridge, Edinburgh.

Guidance on the nature and extent of the evidence likely to be of interest to the Committee is contained in Annex B of Procedures Committee paper PR/00/6/6 which can be obtained by calling the Assistant Clerk on 0131 348 5178, or on the Parliament's website [http://www.scottish.parliament.uk/official\\_report/cttee/proced-00/prp00-06.pdf](http://www.scottish.parliament.uk/official_report/cttee/proced-00/prp00-06.pdf)

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**For public information** enquiries, contact: 0131 34 85000 **For general enquiries**, contact: 0845 278 1999 (local call rate)

email: [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)

Visit our website at: [www.scottish.parliament.uk ..\new.html..\new.html](http://www.scottish.parliament.uk/new.html)

## **Mainstreaming Equal Opportunities in Parliamentary Committees**

### **Purpose**

1. This paper is a proposal from the Equal Opportunities Committee that the committees of the Scottish Parliament support the Equal Opportunities Committee's commissioned research on mainstreaming. It recommends the involvement of members from all Parliamentary committees in research workshops to ensure the mainstreaming techniques developed are relevant and applicable for Scottish Parliament committees.

### **Background**

2. In December 2000 the Conveners Liaison Group (CLG) approved a proposal from Equal Opportunities Committee for a research project on mainstreaming of equal opportunities in the Scottish Parliament and that project has now been commissioned. The aims are to provide information on the mechanisms for mainstreaming in parliamentary committees and to propose practical techniques to ensure mainstreaming in Scottish parliamentary committees.
3. This is an innovative project since there is little existing research in the UK on mainstreaming equal opportunities in Parliaments. The research will draw on existing literature and knowledge and experience of experts in the field to identify techniques that may be appropriate for Committees.
4. It is vital to ensure that any techniques developed are relevant and appropriate to the context of the Scottish Parliament. In order to achieve this the research team has proposed that they host workshops on the major aspects of equalities. There will be one workshop involving members and two for Parliament staff. The aim of these workshops will be to establish the relevance of these techniques in the Parliamentary context.
5. Representation from MSPs from a broad range of Committees and political parties is necessary to ensure that the techniques developed are relevant across the Parliament. CLG have further agreed to encourage all committees to send one delegate to the workshop.

### **Proposal**

6. It is requested that the Committee support the research and nominate at least one member from the Committee to attend the workshop. It is likely that it will be 2-3 hours in duration and will take place during the evening of 20 June. Further details about the workshops will be sent to each Committee nominee close to the time.

## EDUCATION CULTURE AND SPORT COMMITTEE

### Scotland's Budget Process 2002/2003 – Stage 1

#### Report to Finance Committee

#### General Comments

1. Last year, it was noted that “it is often difficult to link a target with the information in the tables”. While there is some improvement in detail, it must once again be noted that there is a lack of indicators, making it difficult to compare policy objectives and targets. This point has also been made in the course of other committee discussions, including (significantly) the Equal Opportunities Committee.
2. Targets and indicators are less clear than they might have been, and there is still some way to go before the budget provides a clear and accessible guide to funding for the Executive's policies. Equally, linking funding to targets will help to clarify the effectiveness of Executive action.
3. The Committee welcomes the review of funding for childcare, adoption and fostering, recognising the need for much better information the range of activities and effectiveness of funding.
4. The Committee welcomes the Executive's acceptance of its suggestion that funding for cross-cutting initiatives should be grouped and identified as such.
5. The Committee notes that budget consequentials from potential additional funding from the UK budget are not been included in the figures.
6. The Committee strongly recommends that Executive responses to Committee questions be provided in future in plain English.
7. The Committee recommends the early development and publication of a clear cultural strategy, linking funding to key priorities.
8. Additionally, much funding of Education, Culture and Sport is through Local Authorities. The document does not provide a breakdown of such expenditure.
9. A series of questions on the budget documents were put to the Scottish Executive, seeking clarification of various points where information was not provided in sufficient detail, or where there were differences in amounts or manner of presentation between budget documents. The questions and the answers received are detailed below.

#### Education and Children



10. There are difficulties reconciling figures on page 10 of the publication Making a Difference with those on page 69 of The Scottish Budget.
11. It is not clear whether the Making a Difference figures for “Schools” and “Children and Young People” include specific grants such as the Excellence Fund. Is this the case?
- There are no specific grant figures contained in the table shown on page 10 of Making a Difference. Specific grant funding is included in the local government figure on page 26 of the publication.
12. In the Scottish Budget, overall education budget does not increase as much as envisaged in Making a Difference. Is this entirely due to the McCrone settlement? If not, what other factors have affected the budget?
- Making a Difference set out the draft budget. The biggest change was that ‘Schools’ figures did not take account of the eventual transfer for 2001-02 of £16m to the Excellence Fund. This was in respect of £6m for mainstreaming of children with special educational needs and £10m for ICT in schools. The changes were reflected in Scotland’s Budget Documents laid before Parliament in January 2001. The subsequent reduction of this figure in ‘The Scottish Budget’ publication was highlighted in note no 1 on page 51 of that document reflecting funding transferred to local government finance in respect of the Teaching Profession for the 21<sup>st</sup> Century agreement.
13. Why does the difference between the documents’ figures vary so much from year to year?
- The transfers detailed in the previous answer affected years 2002-03 and 2003-04 also. As noted in Note no 1 page 51 of ‘The Scottish Budget’; these years have also been subject to a reduction in respect of the Teaching Profession for the 21<sup>st</sup> Century agreement; that reduction varies substantially between years.
14. What impact has the McCrone settlement had on programmes in the “Schools” budget?
- Programmes within the ‘Schools’ budget have been unaffected. Funding transferred from this line in respect of the Teaching Profession for the 21<sup>st</sup> Century agreement consists of an element specifically earmarked as part of the Spending Review 2000 process and funding designated for raising standards in schools.
15. What impact has the McCrone settlement had on programmes within the Excellence Fund specific grant?
- There has been no impact on programmes planned to receive the continued support of the Fund. With the agreement of CoSLA, transfers were made from unallocated Excellence Fund provision to fund non-pay elements of the Teaching Profession for the 21<sup>st</sup> Century agreement. This is consistent with the intended purpose for these funds of raising standards in schools.

16. What is the estimated cost of the McCrone pay settlement? What other programmes are affected?

- It has been agreed with CoSLA that the Executive will provide support of £176.0/274.0/404.9m for the Teaching Profession for the 21<sup>st</sup> Century agreement. The effects on other Education programmes are explained in the responses to questions 4 & 5. No other programmes are affected in 2001-02 and decisions about whether any other programmes will be affected in later years are still under consideration.

### **Funding**

17. How much of the Changing Children's Services Fund is allocated under the Young People and Looked After Children Budget?

- Within the Education Department budget, Spending Review 2000 identified £15m in 2002-03 and £17.5m in 2003-04.

18. Why is the increase in Curriculum Development, IT, etc., greater than that outlined Scotland's Budget Documents 2001-02, published 29 Jan 2001? How much of this increase is a result of additional SQA funding, how much is devoted to other objectives, and from where have the resources been transferred?

- Scotland's Budget Documents, which support the Budget Bill, show capital expenditure separately from the resource budgets. In the other two budget publications these are combined. Scotland's Budget Documents 2001-02 gave a resource figure of £39.9m for this area. Included in the £36.5m global figure for 'Schools' capital was £9.1m in respect of Curriculum Development, IT etc. The overall total of £49m equates to that given on page 54 of 'The Scottish Budget' publication. As stated on page 57 of 'The Scottish Budget', the Executive is in the process of agreeing with the SQA the support necessary to cover additional costs of getting final, accurate results to all candidates. Consequently, no budget provision for additional costs is yet included in the Schools budget figures.

19. To what extent does the increase in the HMI budget derive from a reallocation of staff costs from another budget heading, consequent to the change to Executive Agency status?

- The transfer from budget provision for Scottish Executive Administration is greater than the difference between the 2000-01 and 2001-02 budget figures. This is because the transfer of provision for administration costs of HMIE is offset by the transfer of the budget for the research programme for the Education Department within the budget for schools, standards and improvements, as noted on page 61 of 'The Scottish Budget'.

20. To what extent is the drop in pupil support under the "Schools" budget compensated for by additional funding elsewhere, such as drugs education funding in the Changing Children's Services Fund?

- The £2.7m drop in the pupil support line between 2000-01 and 2001-02 onwards is exceeded by the £6m transfer noted earlier to the Excellence Fund in respect of costs associated with the mainstreaming of children

with special educational needs. There is therefore an underlying increase of £3.3m in other pupil support spending.

21. How does the recurring £141.8m allocation for Childcare and Pre-School take account of the recent prioritisation of adoption and fostering?

- The figure of £141.8 relates almost solely to pre-school education. Funding for adoption and fostering is contained within local authority GAE and is not included here.

22. Why has the Schools Standards and Improvements budget line 2000/01 been increased by £26.9m since the publication of Scotland's Budget Documents 2001-02?

- £26.7m of the increase equates to the New Deal for Schools initiative, which is included in the capital figure for schools in the 2001-02 Budget Documents (consistent with the general practice on capital budgets explained in an earlier answer). In addition, included in the global capital figure of £42m for 'Schools' was £200,000 for SSI.

23. What programmes are affected by the Social Work Services budget fall in 2001/02?

- The only area of Social Work Services budget to see a reduction is the Specific Grant from £2.7m to £2.2m. This is compensated for by a transfer of £0.5m to Young People and Looked After Children to allow the direct funding of the Residential Child Care Initiative.

## **Culture**

24. It would be useful to be able to pinpoint how the Cultural Strategy is being translated into funding programmes, and to be able to ascertain whether these are meeting the objectives set out in policy. Without suitable indicators, it is impossible to ensure that money is being targeted to achieving policy objectives. We need for more detailed breakdown of the budget's expenditure on culture.

25. Is the increase under sport and culture wholly accounted for through funding commitments to the Cultural Strategy? If not, what other areas are receiving funding increases?

- The cultural strategy provides the general framework to guide the allocation of resources. Increases in the budgets for National Institutions, Scottish Arts Council and Other Arts broadly support the cultural strategy and their role in implementing it. Other agencies should have a role to play in the strategy – particularly local authorities – and they will do so within the general level of resources allocated to them.

26. What are the Capital Projects for Sport and Culture, as identified in Scotland's Budget Documents 2001-02, but presumably aggregated under other heading in The Scottish Budget?

- **National Galleries of Scotland**  
**£4.4 million:** Reserve Collections Store, Granton (new build)  
Playfair - Royal Scottish Academy (refurbishment)
- **National Library of Scotland**  
**£0.2 million:** Ongoing phased programme of fire-prevention works.
- **National Museums of Scotland**  
**£1.2 million:** Phased accommodation strategy including fire precaution works.
- **Sport**  
**£1.6 million:** Capital expenditure at national and regional facilities including works at **sportscotland's** three National Centres and the demonstration programme which includes IT Facilities Planning Model.
- **Historic Scotland**  
**£18.6 million:** This includes funding for Urquhart Castle Visitor Centre, Stanley Mills, the Capital Grants Programme, landscaping and other work at Holyrood associated with the Scottish Parliament project and various small projects.

27. Where is the extra £1m for Scottish Opera accounted for within the budget?

- Scottish Opera is supported from resources allocated to the Scottish Arts Council.

28. How will the £1.5m for traditional arts be monitored to ensure that it is used effectively?

- This programme will be developed and overseen by the Scottish Arts Council who will monitor the projects and activities supported with these additional funds.

29. Who will administer and set criteria for the school culture co-ordinators project?

- The criteria for this project are being considered by the Scottish Executive. Decisions on the administration of the project have not yet been taken.

30. Is the money allocated to Traditional Arts Centres of Excellence intended for physical resources such as buildings, or for human resources?

- Following consultation with a wide range of interests in the traditional arts, the Scottish Arts Council has made awards to a number of bodies for programmes of activity and performance.

31. How can the success of the budget objectives be assessed in the absence of a commonly accepted definition of what constitutes excellence within the Traditional Arts?

- It will be for the Scottish Arts Council to monitor the programme to ensure that the specific objectives they have identified for the programme are fully achieved.

## Sport

32. Again, there is insufficient breakdown of expenditure, and lack of correspondence between policy objectives and indicators.

33. Given the budget will be static at £13m, how is inflation taken into account?

- Following the 26% increase over the 2000-01 funding level, it will be for **sportscotland** to determine the best use of funds to achieve the strategic objectives set out for them by Ministers.

34. How much money will be used to promote inclusion in sport, and how will this be done?

- **sportscotland** will work with a range of partners including governing bodies, local authorities and Social Inclusion Partnerships to develop and deliver programmes and other initiatives to promote inclusion in sport. Some £3.4m of planned spend in 2001-02 is directly attributable to this area of activity, with target groups including children and young people, women, ethnic minorities, people with disabilities and people in deprived and remote/island areas. **sportscotland** spending in this area will be complemented by the substantial funding which will arise from the new priorities for the New Opportunities Fund which the Scottish Executive has agreed with the UK Government.

## Historic Scotland & RCAHMS

35. Why does planned expenditure rise for 2001/2 and 2002/3 but then fall back in 2003/4?

- Planned expenditure in 2003-04 is £0.3m greater than in 2002-03. In general, the shape of this budget line reflects the expected pattern of expenditure by Historic Scotland on landscaping and other work at Holyrood associated with the Scottish Parliament project.

## And finally ...

36. What was the print run of the document "The Scottish Budget" and why is it not listed under the Finance section of the Scottish Executive website?

- 2,500 copies of the summary document were produced with 400 copies of the detail document. Both documents are available on the Executive's web-site and are now listed in the Finance publications section.

## Enterprise and Lifelong Learning Committee

### Budget Process 2002-03

### Report to Finance Committee

#### Background

The Enterprise and Lifelong Learning Committee considered Section 4 of the Scottish Executive publication "The Scottish Budget", relating to the Enterprise and Lifelong Learning Department. To inform this process, the Committee agreed to take evidence from the Deputy Minister for Enterprise and Lifelong Learning and from the appropriate officials from the Enterprise and Lifelong Learning Department.

The Committee took evidence from officials on Tuesday 24<sup>th</sup> April 2001, and from the Deputy Minister on Tuesday 15<sup>th</sup> May 2001. In addition to oral evidence, the Committee received further written information from the Scottish Executive. The Committee duly expresses its gratitude to the Executive for their co-operation and participation during this stage of the process.

#### Issues

In identifying the main issues this report follows the pro-forma issued by the Finance Committee.

#### A General

**How does the annual expenditure report compare with last year's budget documentation, *Investing in You* and *Making a Difference for Scotland*, in terms of:**

#### **Readability and cohesiveness;**

1. Overall, the Committee welcomed the general improvement in presentation of figures. The Committee noted however that its previous request for figures for cost-per-student in further and higher education had not been addressed in the document. **The Committee recommends that comparable cost-per-learner figures for further and higher education be developed for the future.**
2. Some 70% of the Department's budget is allocated via Non-Departmental Public Bodies (NDPBs) and government agencies. This means that the level of detail on expenditure required by the Committee may not always be available via the Department, and that the lines of accountability to Ministers are not always clear. **The Committee notes that in future it will seek oral evidence from the Chairs of Non-Departmental Public Bodies (NDPBs) sponsored by the Department.**

## b) Robustness of expenditure figures;

3. Between publication of the Executive's document on 30 March 2001 and the first evidence session of the Committee on 24 April 2001, the Committee received around 10 pages of changes and additions to the budget documentation. Whilst recognising that a comparative exercise will always require a cut-off point, the Committee considers that this level of additional information is not acceptable. In addition, members noted with concern that a further number of changes and additions did not become apparent at all until the evidence sessions, for example, the recent move to resource budgeting and accounting had led to an overbudget in the Student Awards Agency for Scotland's allocation of £56M. **The Committee recommends that budget figures be presented in future in electronic format as well as in paper. The Committee believes that this would provide the immediacy and detail, as well as the comparability, which is required for proper scrutiny.**
4. The Committee found that the information in the budget documentation made it difficult to compare administrative costs versus programme costs for the NDPBs and agencies sponsored by the Department. In particular, the Committee expressed concerns about:
  - the high costs of the Enterprise networks' administration, and the lack of clarity about neither the projected savings to be made from a business transformation programme nor the virement from programme funds to support that programme; and
  - the rise in administration costs at visitcotland in comparison to falling marketing costs.

The Committee also considered that the lack of administrative costs for the Department itself made it difficult to assess the effect of, for example, actions in support of Modernising Government. **The Committee recommends that the Executive seek consistent definitions for the allocation of administrative and programme funds to the NDPBs and agencies sponsored by the Enterprise and Lifelong Learning Department, to allow value for money comparisons between agencies. In addition, the Committee recommends that the administrative costs for the Department itself should be included in the budget documentation.**

## c) Adequacy of explanations for substantial changes in funding allocations and exceptional changes in departmental performance?

5. In general, the Committee's view is that post-budget decisions ought normally to be decisions of strategy. The strategy underpinning the Executive's post-budget decisions is not clearly identifiable from these documents. **The Committee recommends that any substantial changes in funding allocations or exceptional changes in performance should be highlighted, and the strategy underpinning changes or measures to address performance clearly explained.**

**What consultation has the Department undertaken in compiling its chapter of the annual expenditure report? Have the results of any consultation been made available to the Committee?**

6. The budget documentation showed no evidence of consultation, in spite of a recommendation to that effect from the Committee last year. The Committee ascertained during an evidence session, however, that such consultation had taken place. **The Committee reiterates its desire to see clear evidence of consultation with relevant stakeholders, including consumers, and any changes arising from consultation, in the initial budget documentation.**

**Is the Committee satisfied that there is clarity on the effect of departmental policies for men and women? What progress has the Department made in equality-proofing its policies?**

7. The Committee welcomes the emphasis on equality issues which became clear through the evidence sessions. Members considered that there was scope to identify more clearly the links between funding and targets in this area to allow a fuller assessment of effectiveness. **The Committee recommends that mechanisms are put in place to ensure that mainstreaming of equality issues is accompanied by effective monitoring arrangements in this key area.**

## **B Departmental Performance**

**Is the Committee content with the strategic direction of the Department as a whole (and its component divisions/agencies)? Is the Committee satisfied that the Department's key aims for policy outcomes are set out in the Annual Expenditure Report?**

8. The Committee welcomed the introduction of overall objectives for the Department, as set out in the Annual Expenditure Report for the first time. The Committee will consider the broader strategic direction of lifelong learning in Scotland as part of its Inquiry later in the year. In the meantime, **the Committee is broadly satisfied that the Enterprise and Lifelong Learning Department is pursuing aims and objectives which are consistent with its lines of responsibility.**

**Does the Committee concur with these aims?**

9. Pending the results of its Inquiries into the SHEFC Reviews of Teaching and Research Funding and Lifelong Learning, the Committee concurs with these aims.



**Are there (timed) objectives and targets to underpin these aims? Where a timeframe has been expressed which goes beyond 2001-02, has an interim target been stated?**

10. The Committee had concerns about the format of reporting for some targets. In particular, reporting on the Individual Learning Account (ILA) target does not allow Committee members to identify at an early stage problems with achievement. **The Committee recommends that cumulative targets and reporting should be clearly identified as such, to differentiate from annual targets and reporting and to allow early identification of problems.**

**In light of the extra funding resulting from the Comprehensive Spending Review last year, what evidence is there that this has resulted in the Department's objectives being raised?**

11. The Committee learned from the Deputy Minister on 24 April that the final allocation of the £220M additional funding announced in 2000-01 had yet to be agreed by Ministers. **The Committee expressed concern at the delay in announcing these allocations. The Committee was unable for this reason to determine whether additional funding had made any impact on Departmental objectives.**

**Does the Committee consider that the achievements of objectives and targets listed in the annual expenditure report will result in the intended policy outcome being achieved? Is the Committee satisfied it understands why and how departmental targets were arrived at? What modifications, if any, does the Committee wish to recommend in terms of the objectives and targets?**

12. As noted in paragraph 14 below, the Committee recognises the Department's progress towards more meaningful objectives and targets. The Committee notes in particular that the Modern Apprenticeships target, which measures throughput rather than pass rates, potentially gives a distorted picture of success and failure.

**Is the Committee content that adequate mechanisms are in place to monitor whether the objectives and targets are being met?**

13. The Committee heard evidence to suggest that monitoring mechanisms were in place, but there was little indication in the budget documents to this effect. **The Committee considers that the mechanisms for reporting progress are particularly important in areas for which NDPBs are responsible, and recommends that clear indications of reporting lines and funding responsibilities are included in future budget documentation.**

**How did the Department perform in relation to the targets that were included in 'Investing in You'? Where targets have not been met, is the Committee satisfied why this is the case? What measures have the Department put in place to address the situation?**

14. The Committee found that there was a lack of information in the document to allow proper monitoring of the achievement of targets, which meant that it was not possible for the Committee to consider fully the effectiveness of the department. The Committee recognises that the Department is part-way through a process of reviewing existing and setting new targets, but considers that there is some way to go before these fully serve their purpose. **The Committee commends the Executive for the work done on developing and refining targets, and urges it to continue. The Committee notes that it will consider targets for achievement in lifelong learning as part of its forthcoming Inquiry.**

### **C Funding allocations**

**If the Committee is content with the aims and objective of the Department but is not confident that the funding allocation is adequate for the aims and objectives to be met, what changes in funding allocation for 2002-03 does the Committee recommend?**

15. The Committee does not recommend particular changes in funding allocation for 2002-03.

**Similarly, if the Committee recommends that the Department should alter its aims and objectives, how should resources be allocated in 2002-03 to meet these proposed revisions? The Committee should make it clear whether it considers it is possible to revise the funding arrangements and keep to the proposed total departmental figure.**

16. The Committee will consider objectives, aims and resources in lifelong learning as part of its forthcoming Inquiry. In addition, the Committee's work in reviewing the effectiveness of the Local Economic Forums will inform its scrutiny of the budget for 2003-04. In the meantime, the Committee does not recommend revisions to the budget.

**The Committee should state which areas of the Department would benefit most from any additional expenditure that may become available, either during 2001-02 or for 2002-03.**

17. The Committee did not identify any such areas.

### **Other issues**

18. The Committee identified the following issue for consideration by the Executive in preparing the next set of budget documentation.

19. The Committee considered that the lack of a figure for total capital investment liability for the further education sector rendered expenditure figures relatively meaningless, as there was no way of telling how much of the backlog was being addressed by this spend. **The Committee recommends to the Executive that total liability be included in future budget documentation, and further that the Executive give consideration to the provision of separate figures for capital and recurrent funding wherever appropriate within the budget.**

**EQUAL OPPORTUNITIES COMMITTEE**

**STAGE 1 REPORT TO THE FINANCE  
COMMITTEE ON THE 2002/03 BUDGET  
PROCESS**

## STAGE 1 REPORT TO THE FINANCE COMMITTEE ON THE 2002/03 BUDGET PROCESS

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

Introduction

Liaison with Finance Committee

Factors to consider in scrutiny of the AER “The Scottish Budget”

Changes from 2001/02

Mainstreaming equality

*Approach adopted*

*Evidence submitted*

Adequacy of policy development process for the 2002/03 budget

Adequacy of pre-publication consultation process

Timetable of budget process

Use of questionnaire

Adequacy of “The Scottish Budget”

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### Introduction

1. The annual expenditure report (AER) of the Scottish Executive “The Scottish Budget”<sup>1</sup> was published on 30 March 2001. The Equal Opportunities Committee has considered the AER and reports its views to the Finance Committee.

### Liaison with Finance Committee

2. The work of the Equal Opportunities Committee has been assisted by the work of the Reporter from the Finance Committee, Elaine Thompson MSP. The Equal Opportunities Committee thanks the Reporter for her work and commends the Finance Committee for this approach. The Finance Committee recommendation that subject committees examine equality issues within their departments has

<sup>1</sup> “Annual Expenditure Report of the Scottish Executive/Summary”, Scottish Executive, March 2001  
“Annual Expenditure Report of the Scottish Executive/Detail”, Scottish Executive, March 2001

continued to prove worthwhile. The suggestions on the budget approach, received from Finance Committee have also proved useful.

### **Factors to consider in scrutiny of the AER “The Scottish Budget”**

3. The Equal Opportunities Committee, based on the wish to make best use of resources and explore working in an innovative manner, adopted a multi-stage approach to scrutiny of “The Scottish Budget”.
4. The first aspect to be examined was the continuity between “The Scottish Budget” and the AER for 2001/2002 “Investing In You”, together with the manner in which the recommendations for change made last year had been incorporated into the process for 2002/2003, resulting in “The Scottish Budget”.
5. The second aspect of the Equal Opportunities Committee scrutiny was therefore the manner in which the budget process for 2002/03 mainstreamed equality as part of an effective and efficient policy mechanism. To support this approach the Committee commissioned research from SPICe. The resultant note<sup>2</sup> proved to be most useful and the Finance Committee subsequently referred colleague committees to it.
6. The Committee studied the AER carefully and took written evidence from a number of organisations on the approach to mainstreaming equality shown in “The Scottish Budget”. In addition, the Committee took oral evidence from a range of groups. These were:

Disability Rights Commission	24 April 2001
Equal Opportunities Commission	24 April 2001
Equality Network	24 April 2001
Commission for Racial Equality	01 May 2001
Engender Women’s Budget Group	01 May 2001
The Minister for Social Justice	08 May 2001.

In an attempt to make the scrutiny process more inclusive, the Committee also agreed to undertake a questionnaire based consultation exercise, which is detailed later.

### **Changes from 2001/02**

7. In their report on Stage 1 of the 2001/2002 AER the Finance Committee agreed to the Equal Opportunities Committee recommendations that “spending departments should be required to include in their spending plans an element for equal opportunities and to indicate a commitment to a gender impact study in their area of responsibility”<sup>3</sup>. The additional comment in their report on Stage 2 of the AER reinforces the point:

*“We support the Equal Opportunities Committee in urging all Departments to ensure progress is made towards reaching the overarching goal of*

<sup>2</sup> “Equal opportunities and the Scottish Budget”, Research Note RN 01/45, 19 April 2001, SPICe

<sup>3</sup> Finance Committee, 11th Report 2000. Report on Stage 1 of the 2001/02 Budget Process, SP Paper 154, Vol. 1, para 58

*mainstreaming equality and reducing the gap in this respect that exists in Executive policy making. We also wish to reinforce the concerns expressed about the insufficiency of data by these subject committees and we expect next year's budget documents to present explicit information on equal opportunities policies. More specifically we expect robust information to be made available on the impact Departmental spending plans will have on men and women"*<sup>4</sup>

8. Whilst not giving guarantees on the subject, the Minister for Finance did address concerns about budget disaggregation in his evidence to the Finance Committee on the previous AER, "Investing In You":

*"We had a positive meeting with Engender and the Equal Opportunities Commission about the disaggregation or reflection of issues of gender and discrimination inside budgets. We are considering how to take that issue forward. I do not think that I am giving away any secrets if I say that it is not a straightforward issue. A lot of the work that has been done in other countries, and in the UK, in relation to women's budgeting has been on tax and benefits rather than on spending programmes. It is not straightforward for us to find a constructive way forward, but we are committed to trying to achieve that. I hope that, before the summer recess, we might have an opportunity to outline our plans to members."* Official Report, Finance Committee, 13 June 2000, col. 676

9. The Committee was encouraged by the Finance Committee acceptance of Equal Opportunity Committee recommendations to show ring-fenced equality budgets and gender impact assessment of policy.

10. The Committee were further encouraged that for 2002/03 activity, Finance Committee guidance to colleagues in subject Committees therefore included the suggestion that ring-fenced budgets and gender disaggregation be examined as part of their action for this year. In written evidence, a single concern was raised that examination of gender impact (as a minimum) is somehow to be construed as automatically disadvantaging men. The Equal Opportunities Committee wholeheartedly rejects such an interpretation and, on this occasion, refers to evidence from the Equal Opportunities Commission for a useful definition of the case:

*"I would make a distinction between equality proofing the budget—the process of rendering visible the differentials in relation to mainstreaming—and the specifics of allocating against identified need. That distinction is particularly important with regard to gender. I stress that accounting for gender and a gender perspective in the budget does not mean privileging the needs of women over men or the other way round; it means recognising the differentials and ensuring that public spending is effectively targeted according to need and experience"* Equal Opportunities Commission, Official Report, 24 April 2001, col. 1175

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<sup>4</sup> Finance Committee, 16th Report 2000, Report on Stage 2 of the 2001/02 Budget Process, SP Paper 236, Summary of Conclusions and Recommendations,

11. **The Committee has already noted** the publication of the four “Factcards” by the Scottish Executive, providing summary information on older people, ethnic minorities, disabled people and gender<sup>5</sup>. The publication in March 2001 of further statistics, disaggregated by gender “contributes to meeting the commitments which the Scottish Executive gave in the Equality Strategy...to developing better statistics that provide information for different equality groups”<sup>6</sup>. This attempt follows on from seven previous Gender Audits carried out by Engender. **The Committee recognises** that it is “impossible to include all of the available statistics in one volume”<sup>7</sup>.
12. However, given the existence of seven previous volumes, a Ministerial commitment to achieving a “constructive way forward”, an Advisory Group on the budget and recommendations on the last budget round, **the Committee shares the disappointment** of witnesses who saw no evidence of a gender impact analysis whatsoever. This was expressed most strongly in evidence from Engender Women’s Budget Group who, it must be noted, are members of the Scottish Executive Advisory Group on Equality and Budget:

*“Briefly, our overall feeling is of deep disappointment that, given all the joint working that has taken place over the years to ensure equality of opportunity in respect of gender, such as in the consultative steering group, which looked at how the Parliament would operate for the first couple of years, a commitment to gender awareness—never mind gender equality—is so visibly lacking in the budget document. After the support that was given to the women’s budget group, and after the many seminars that have taken place over the years—especially in the past few months—it is disappointing how few objectives and targets are highlighted within the spending plans. Given that the budget’s key theme is social justice, it is important to recognise that an opportunity to deal with that topic in a way that is fair to men and to women seems to have been missed.”* Engender, Official Report, 1 May 2001, col. 1209

## Mainstreaming equality

### *Approach adopted*

13. **The Committee has agreed** to adopt the following definition of “mainstreaming”:<sup>8</sup>—

*“Mainstreaming’ equality is essentially concerned with the integration of equal opportunities principles, strategies and practices into the every day work of Government and other public bodies from the outset, involving ‘every day’ policy actors in addition to equality specialists.”<sup>8</sup>*

<sup>5</sup> “Equality In Scotland: Older People, Disabled People, Women and Men, Ethnic Minorities”, Scottish Executive National Statistics, November 2000

<sup>6</sup> “Men and women in Scotland: A statistical Profile”, Scottish Executive Central Statistics Unit, March 2001, Introduction

<sup>7</sup> *ibid.*

<sup>8</sup> EOC/CRE document – Questions on Mainstreaming



14. **The Committee has already agreed** to sponsor further research on how to ensure equality is seamlessly integrated into all aspects of Parliamentary activity. Having commissioned the research, the Committee is only too aware of the scale of the challenge. Naturally, the research will aim to address mainstreaming equality in budgets. It is hoped that this will assist all committees next year.
15. The budget may be considered, in this context, to be placing financial flesh on policy bone: any policy, even legislation, without associated resource is compromised. In examining “The Scottish Budget” the Committee has therefore replicated its approach to scrutiny of legislation; this considers the extent to which a coherent approach to policy development has been adopted by the Scottish Executive, one in which equality is built in from the start. A checklist, suggested jointly by Equal Opportunities Commission and the Commission for Racial Equality, had already been agreed and is reproduced at Appendix 7.
16. As highlighted by SPICe, there are three types of relevant expenditure:
- i) spending on explicit equalities policies;
  - ii) spending on policies which have an implicit equalities impact; and
  - iii) spending on measures to improve the budget process and administration in terms of how it addresses equality issues.
17. With colleagues in subject committees already examining (i) and (ii) the aim therefore is to examine, under (iii) the extent to which “The Scottish Budget” demonstrates that the Scottish Executive has incorporated an equality perspective into all policies, at all levels and at all stages. The resultant scrutiny will provide evidence of the extent to which the budget process 2002/2003 demonstrates this and, in the event that it does not, whether such an approach does, in fact, exist within the Scottish Executive and the AER represents a “policy/practice” gap by failing to adequately express this. This is a necessarily innovative approach, since there is little existing research in the UK, or indeed the world, on mainstreaming equal opportunities in Parliaments.

#### *Evidence submitted*

18. Whilst equality is mentioned at specific points in “The Scottish Budget”, there is no clear indication of an overarching equality strategy. The first mention of activity to support equality is at page 28 of the summary document, under the aegis of the Minister for Social Justice, rather than the Scottish Executive as a whole. This point was made by several witnesses, including Engender, the Equal Opportunities Commission and the Commission for Racial Equality:

*“There is no reference to equality or gender equality in the overall objectives or the departmental objectives. Equality is dealt with in a separate section with the voluntary sector, at the end of the spending plans, so it has been sidelined. There has been an increase in the budget for equality from last year to this, but then the budget is static. The fact that no extra money is devoted to the equality strategy raises questions about it.”* Engender, Official Report, 01 May 2001, col. 1208

*“For policy to be effectively informed, we argue that there should be cross-referencing with gender, income levels and geographical location, especially*

*when one hears about locality budgeting across policy sectors. Not enough information is available, certainly on the gender impact. Data should be more than quantitative; they should be qualitative, with information on impact, and they should take into account the processes that the service delivery organisations adopt and how those organisations assess and report on their performance.”* Equal Opportunities Commission, Official Report, 24 April 2001, col. 1176

*“What is notable in the Scottish Executive’s budget planning process is that, although there is a radical equality strategy over a period of time, there is no budget allocation associated with it. It is excellent that such a strategy exists, but we cannot say what its impact will be if there is no spend associated with it. I am aware, however, that the equality-proofing mechanisms that have been established, particularly those that are associated with the round table group, will have an impact on how we measure success.”* Commission for Racial Equality, Official Report, 01 May 2001, col. 1215

19. Whilst noting the Minister for Social Justice’s oral evidence on 8 May 2001, highlighting the increase in budget assigned to the Scottish Executive Equality Unit from £500k to £1m, **the Committee notes** the absence of detail on spend against equality. This is best highlighted by SPICe:

*“Areas where equalities are explicitly mentioned are spread across different budget areas. Equalities are mentioned more often in aims, and very rarely have actual spending explicitly attached to them. In addition, the level of detail provided at level 3 is rarely sufficient to consider the possible effects of spending on particular groups. There are many initiatives aimed at tackling inequality which do not appear in “The Scottish Budget” documents – for example measures taken in the police force as a result of the MacPherson report. At this top level [Level 1] there is no explicit equality spending. However there are aims and objectives which are relevant to equal opportunities..... At level 2, there are more specific measures, but without looking in more detail at how spending is allocated within these measures, it is difficult to assess what impact they will have.... At the most detailed level provided in the budget [Level 3], it is still not possible to assess equalities impact without an in-depth analysis of how the spending is implemented.”* Research Note RN 01/45, SPICe

20. “The Scottish Budget” is not the sole document which sets out the intentions, aims and objectives of the Scottish Executive in respect of equality: **the Committee notes** the publication in November 2000 of the overarching Scottish Executive Equality Strategy<sup>9</sup>. However, re-iterating comments from the Finance Committee on “Investing In You”<sup>10</sup> the AER is a crucial document in terms of the manner in which policy intent is translated into aims and objectives with underpinning resources, targets and evaluation criteria. As such, **the Committee considers** that it is vital that the AER shows how equality runs through the entire process. From their examination of “The Scottish Budget” **the Committee**

<sup>9</sup> “Equality Strategy: Working together for Equality”, The Scottish Executive

<sup>10</sup> Finance Committee *ibid.*, para 18

**considers** that equality has not been shown to be mainstreamed in the document.

### **Adequacy of policy development process for the 2002/03 budget**

21. To examine whether there had been a “policy/practice gap” or presentational oversight, the Committee further considered the manner in which equality had been considered in the cycle of effective policy making. The aim was to examine the possibility that equality was mainstreamed, as a crosscutting issue, and had failed to be adequately shown in “The Scottish Budget”.

22. **The Committee had also noted** the long-standing commitment of the Scottish Executive towards an “integrated planning system” which “will use [European Foundation for Quality Management] EFQM Excellence Model as a framework to ensure that activity is tested across all criteria”.<sup>11</sup> The EFQM Excellence Model<sup>12</sup> is widely used within UK Local and Central Government. Linkages to the Common Assessment Framework also provide a valuable benchmark across Europe. In addition, **the Committee notes** the Scottish Executive assertion that:

“The former Scottish Office has historically been a multi-functional department whose tasks have been bounded by territorial, rather than narrow functional boundaries. We are therefore accustomed to operating in a more joined-up fashion than is possible in Whitehall”.<sup>13</sup>

23. **The Committee recognises** the truth of the statement that “cross-cutting approaches are no panacea. They have costs as well as benefits....it is necessary to weigh up the costs and benefits of a cross-cutting approach with the costs and benefits of more traditional vertical structures.”<sup>14</sup>

24. However, **the Committee was also struck** by the stark statement in June 2000 that “... the scale of crosscutting activity now underway, driven by the Executive, is unprecedented. There are signs that the policy implementation ‘machine’ is struggling to cope and that overall implementation is being compromised”.<sup>15</sup>

25. **The Committee has some sympathy** with the scale of change, but cannot accept that mainstreaming equality should be one of the casualties. Equality issues have been built into the work of the Scottish institutions under the devolution settlement and the Scotland Act, with definitions of equal opportunities

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<sup>11</sup> “Scottish Executive – Modernising Government 21st Century Government for Scotland”, paras 10.2–10.3

<sup>12</sup> © European Foundation for Quality Management. The EFQM Excellence Model is a registered trademark

<sup>13</sup> Ibid. Para 1.1

<sup>14</sup> “Wiring It Up: Whitehall’s Management of Cross-cutting Policies and Services”, Cabinet Office, Performance and Innovation Unit Report, January 2000, para 4.5

<sup>15</sup> Scottish Executive Policy Unit Review, “Making a difference: Effective Implementation of Cross-Cutting Policy”, Kenneth Hogg, June 2000, page 5, para 5

and associated duties<sup>16</sup>. On examination of the criteria for a crosscutting policy area<sup>17</sup>, it is also clear that equality is a, if not the, key crosscutting policy.

26. Given the timescale, the Committee sought to examine the manner in which the Scottish Executive demonstrated the mainstreaming of equality in six of the nine components of the EFQM Excellence Model. These are listed in more detail in Appendix 6. The use of the EFQM Excellence Model is not prescriptive on the part of the Committee: it reflects its choice by the Scottish Executive and is a useful benchmark for comparing the policy development process demonstrated by “The Scottish Budget” against the guidelines set out in the Consultative Steering Group (CSG) Report, which stated (albeit with specific reference to legislation):

*“By making the system more participative, it is intended that better legislation should result. Consultation, in the form of inviting comments on specific ... proposals for example, would not meet our aspirations for a participative policy development process. We have noted elsewhere that there is a perception among those we consulted (and within our own group) that once detailed...proposals have been published, in whatever form, it is extremely difficult for outside organisations to influence changes to those proposals to any great extent. What is desired is an earlier involvement of relevant bodies from the outset – identifying issues which need to be addressed”<sup>18</sup>*

27. Without prejudice to following comments, **the Committee notes** that the approach to the budget process is not just new (only in its second year) but is also attempting to implement the principles and culture set out in the Financial Issues Advisory Group (FIAG) section of the CSG Report. The ongoing attempt, and intent, to create greater inclusion in the government financial process is acknowledged, not just by this Committee:

*“An important starting point is the fact that our budget building process is more inclusive than that of other places.”* Commission for Racial Equality, Official Report, 1 May 2001, col. 1215

28. Having noted the intent, inherited from the adoption of FIAG and CSG principles, the Committee looked at the extent to which there is an attempt to promote greater inclusion in the budget process. There is already a substantial body of good practice readily available to civil servants and Ministers to ensure effective and inclusive policy development. Both Engender and the Commission for Racial Equality were invited to comment on the development process:

*“Equality is not yet in the budget, despite the presentation of evidence a year ago, and that is a real problem. We hoped to see at least a beginning of an acknowledgement, in the overall objectives and in the departmental objectives, that equality needs to be considered, even though, in some areas, we are still working on the information base to allow objectives and targets to*

<sup>16</sup> Scotland Act 1998 (c.46), Schedule 5, Section L2

<sup>17</sup> “Wiring It Up”, *ibid.* chapter 4, Box 4.1

<sup>18</sup> Report of the Consultative Steering Group, Scottish Office, December 1998, Section 3.5, para 4, *Et seq.*

*be set and measured. What has happened is disappointing.*” Engender, Official Report, 08 May 2001, col. 1216

*“In the equality strategy that the Scottish Executive has developed, one of the key mechanisms for change is the consideration by civil servants of the equality impact of their proposals. We have before us a document that has not benefited sufficiently from that approach.”* Commission for Racial Equality, Official Report, 08 May 2001, col. 1217

29. Based on the evidence heard by the Committee, in respect of both “The Scottish Budget” and primary Executive legislation, **the Committee notes** there is no evidence to show that this approach has been adopted within the Scottish Executive in preparing “The Scottish Budget”.

### **Adequacy of pre-publication consultation process**

30. The Committee considered the manner in which the consultation process had been carried out prior to the publication of the AER. Not only has this proved of demonstrable value in previous Scottish Executive documents (such as Bills) brought before Parliament, it is required under six of the nine criteria of the EFQM Excellence Model.
31. The Equal Opportunities Committee has not been given any details of stakeholder responses to “Investing In You”. In addition, the Committee has been given no information on how the details in “The Scottish Budget” were arrived at. **The Committee considers** that the AER is part of a cycle, and one in which it would assist Parliamentary Committees considerably if there were more detail available of the representations that have been made and which have helped shape the AER into the document it is when it is presented to the Parliament.
32. **The Committee notes** the clear guidance, in recently published best practice on consultation, which states “sufficient time should be allowed for considered responses from all groups with an interest. Twelve weeks should be the standard minimum period for a consultation”<sup>19</sup>.
33. The Scottish Executive itself acknowledges that “The Scottish Executive rarely delivers crosscutting policy at its own hand: it relies instead on a range of agencies to implement policy initiatives. They, not the Executive, will deliver the outcome based targets”<sup>20</sup>. The question for the Committee therefore was how does “The Scottish Budget” demonstrate the involvement of stakeholders in the decision making process and subsequent monitoring and evaluation.
34. The use of “stakeholder” rather than “agency” is deliberate by this Committee and is an attempt to recognise the role played by the Voluntary Sector, in providing services. The most recent figures show there are over 44,000 voluntary organisations in Scotland, employing 100,000 staff, supporting 700,000

<sup>19</sup> “Code of practice on written consultation” Cabinet Office, November 2000, page 7, para 5

<sup>20</sup> Scottish Executive Policy Unit Review, “Making a difference: Effective implementation of cross-cutting policy”, June 2000, page 7

volunteers, generating 4% of Scotland's GDP and an annual income of £2.2 billion.<sup>21</sup> Despite the fact that "The Scottish Budget" appeared at the same time as a review of Voluntary Sector funding, there appeared to be little crossover in either publication.

35. As well as insufficient detail on how the Scottish Executive will achieve equality internally and through its direct action, "The Scottish Budget" does not show how the 75% given by the Scottish Executive to other Agencies is spent to meet equality guidelines. This was noted by both the Equality Network:

*"Not just the Executive, but those bodies that spend the majority of the budget that the Executive does not spend directly, such as local government and health boards, should be required to monitor and audit their work for equality."* Equality Network, Official Report, 24 April 2001, col. 1176

and the Commission for Racial Equality;

*"The equality-proofing group is considering conducting a survey of Scottish Executive expenditure, but we are concerned that nearly three quarters of that expenditure is spent by local authorities, health boards and so on. Given that, we would like a review to investigate whether local authorities and health boards factor in equality issues to their work. Do they know how to? How can that process be enabled? For elected members and officers, the notion of equality-proofing budgets and assessing their impact on equality issues might seem to be too far removed from the detail of such things as refuse collection and debt collection. We need to find a way of engaging people around the issue in a more interactive way."* Commission for Racial Equality, Official Report, 01 May 2001, col. 1215

36. **The Committee notes**, without commending, the timetable placed upon the budget process once it is introduced in Parliament. However, it is immediately clear that there appears to have been insufficient consultation on "The Scottish Budget" prior to its introduction, even with statutory bodies. Naturally, the statutory bodies were asked to comment on this, to ensure that it was not a presentational oversight in the document. It was not:

*"The equality-proofing budget steering group has met twice and is to meet again and I hope that the new Minister for Finance and Local Government will consider elevating it to the status of a ministerial advisory group. As for wider consultation, we did not receive direct communication from the Executive either in the lead-up to or after the publication of the documents. There are several underpinning concerns. How have the spending priorities been set? What consultation has informed the process? To what extent would it have been appropriate to give information on that consultative process in the budget documents as they stand, which would have contributed to more effective benchmarking against the Executive's targets? Overall, the EOC welcomes the Executive's commitment to consult on the budget. We accept that it is still early days and that this is a learning process, but we believe that*

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<sup>21</sup> Scottish Executive, "The Review of funding for the Voluntary sector: Direct funding from the Scottish Executive", May 2001, para 5

*the budget process should be expanded to include consultation at an earlier stage. The Equal Opportunities Committee's initiative in opening up the process to crosscutting consultation is positive. The other subject committees must now take cognisance of equality implications in their deliberations on the budget process."* Equal Opportunities Commission, Official Report, 24 April 2001 col. 1178

37. The potential input and expertise from statutory equality groups has been lost. In addition, crucial opportunities for clarification of presentation and policy have been lost:

*"One of the key points that we want to raise is that, given the absence of a clear line of spend against equality issues, it is difficult to secure a route to scrutinising the budget for racial equality and other equality issues. That is a huge difficulty for all agencies—including the CRE—that are trying to make sense of the budget. Notwithstanding that, we welcome the fact that we have an opportunity to comment on the budget. It is excellent that the budget development process gives an opportunity to discuss, comment and come back on the various stages of development. We also welcome the First Minister's comment about ensuring that social justice underpins the budget building process. In future—at least after the first session—we hope that the budget will build equality considerations firmly into spending plans. We see this early stage of the budget building process as a process of incremental change and development."* Commission for Racial Equality, Official Report, 01 May 2001, col. 1210

38. In addition, consultation with non-statutory bodies has been poorer still, as evidenced by Equality Network:

*"The Equal Opportunities Commission, the Disability Rights Commission and the Commission for Racial Equality are members of the advisory group on equality and budgets, which has been going for a while. It is great that such a group exists; however, the first we heard of it was last Thursday, when we read the Scottish Parliament information centre's research note on equal opportunities and the budget<sup>22</sup>..... Our written submission was going to mention our unhappiness at not being invited to join the advisory group; however, we received that invitation yesterday."* Equality Network, Official Report, 24 April 2001, col. 1177

39. **The Committee therefore notes** the inability of the Equality Network to have participated in the advisory process that preceded the publication of "The Scottish Budget".

40. Whilst recognising the fact that there is a commitment to piloting gender based disaggregation within the Scottish Executive Equality Strategy, **the Committee notes** the comments from Engender:

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<sup>22</sup> "Equal Opportunities and the Scottish Budget", SPICe Research Note RN 01/45

*“Success can be measured only by asking the views of the people whom you hope will be affected by spending plans.”* Engender, Official Report, 01 May 2001, col. 1214

41. It is unclear to what extent the needs and priorities of relevant stakeholders have been identified and used in the decisions that have resulted in the figures in “The Scottish Budget”.
42. Whilst this may be partially due to issues of resources on behalf of the Scottish Executive, **the Committee considers** that further efforts by the Scottish Executive to demonstrate the accessibility of their policy development process, in general, are necessary.

### **Timetable of budget process**

43. The timetable has been tight for the Committee and therefore tight for those the Committee would wish to take evidence from.

### **Use of questionnaire**

44. Given the absence of prior consultation on the AER, the Committee decided to seek views on “The Scottish Budget”. Advised, in part, by external bodies and specialist Parliament staff, the Committee promoted a consultation process, via a questionnaire. **The Committee notes** the useful informal contribution made by the Royal National Institute for the Blind (RNIB) and acknowledges their “See It Right” guidance although, naturally, the questionnaire remains a Parliament publication.
45. Over 600 copies were issued to organisations and individuals, seeking their views on a range of topics related to the AER. In addition, copies were placed on the web and details made available via a News Release. For accessibility, copies were made available in large print, Gaelic, audiotape and Braille.
46. **The Committee thanks** all those who responded, acknowledging that there was a very tight deadline, occasioned solely by the current timescale for the budget process. The Committee acknowledges that in some cases this mitigated against a response for organisations, such as voluntary groups or charities, which were unable to marshal the resources to respond within the timescale imposed by the budget process.
47. **The Committee notes** the generally favourable response to the effort, and contrasts the resources available to the Committee in such an endeavour with that of the Scottish Executive. The questionnaire is reproduced at Appendix 3, with an analysis of responses as Appendix 4.

### **Adequacy of “The Scottish Budget”**

#### *Accessibility*

48. The costs of obtaining a copy of “The Scottish Budget” were considerable. Retailing at £8.50 per volume, £17 for a two-volume document represents a considerable outlay for many organisations. Similarly, access via the internet



requires not only a PC but also the connection time and resources sufficient to download some 321 pages:

*“Firstly, we are pleased to note that the Equal Opportunity Committee Questionnaire is available in a variety of formats for disabled people (and minority languages). We are also pleased to note that a minicom telephone number is promoted for deaf enquirers. However, alternative formats of “The Scottish Budget” are not promoted in the standard format, on the website or in any covering letter. We have tried without success to establish whether they are available and must conclude that they are not. Without access to “The Scottish Budget” some disabled people are excluded from the consultation process or from accessing Budget information for other reasons.”*  
Supplementary evidence from Disability Rights Commission

#### *Use of performance indicators*

49. In their discussions on aims, objectives and targets, the Committee was guided by the recently published FABRIC criteria<sup>23</sup>, which suggests that government performance indicators should be Focussed, Appropriate, Balanced, Robust, Integrated, and Cost effective. **The Committee understands** that this has been endorsed by Audit Scotland, within the Public Audit Forum. **The Committee considers** that this firmly establishes its Civil Service credibility without acknowledgement from the Scottish Executive that it has adopted the criteria.
50. Despite this, and the preceding large body of good practice available to the Scottish Executive, Engender Women’s Budget Group, who are Members of the Scottish Executive Advisory Group on Equality and Budget, said in their written evidence “in some areas there are very specific, measurable targets, which are welcome, though none include any gender dimension. In other areas there are only very vague statements of intentions”.
51. **The Committee notes** that “The Scottish Budget” deals with a period where the new requirements of the Race Relations (Amendment) Act must be dealt with. The Scottish Executive have already noted that “The provision of the new enforceable public duty is clearly a major development in addressing institutional racism, and will have implications for many of those involved in the provision of support to the voluntary sector”<sup>24</sup>. Despite this, the Commission for Racial Equality noted:

*“I draw the committee's attention to the new environment that we are operating in, as far as racial equality is concerned. The amendment to the Race Relations Act 1976 placed a new duty on all public authorities proactively to promote racial equality and avoid racial discrimination. That general duty applies to the Scottish Executive. We regard the budget building exercise as a function of the Executive, but the budget document pays scant attention to ensuring that racial equality is firmly woven into that public function. We would like that issue to go back to the Executive and to be considered more thoroughly. The amendment was won through hard battle*

<sup>23</sup> “Choosing the right FABRIC: A framework for Performance Information”

<sup>24</sup> Scottish Executive, Final Report on “Review of Funding for black and minority ethnic groups in the voluntary sector in Scotland” , January 2001, para 1.14

*and we would like to see the evidence of how the budget identifies and works through that issue.”* Commission for Racial Equality, Official Report, 01 May 2001, col. 1211

#### *Overarching statement on equality*

52. The absence of a direct commitment towards equality in the document, either at a strategic overarching level (effectively contextualising all subsequent targets) or within individual Departmental targets is noted and regretted. As the Commission for Racial Equality noted:

*“When the committee considers the way forward, it might want to consider the argument that has been made by my colleagues from Engender and by sister equality agencies. If what one wants to achieve through one’s policy intentions on racial equality and equality per se is not factored into the budget building processes, one will end up with the same-old same old. Most members of the committee will know what I mean by that. I mean that when local government is asked to engage in a positive action exercise or to ensure that disability issues are addressed effectively, the first response will be, “We do not have the money for that”, or “We do not have the resources for that”. When we speak to certain education providers about access to, for example, courses in English as a second language, the issue is about budgets. If we talk about housing provision, or positive action processes within housing, the question returns to budgets. If the policy intention is to weave social justice and equality into the mainframe of governance and social policy issues across Scotland, it is absolutely critical that equality issues are woven in explicitly, so that we can fend off the arguments about lack of money.”* Commission for Racial Equality, Official Report, 01 May 2001, col. 1212

53. **The Committee accepts** that it may initially appear that equality is only measurable when it is absent: partial equality is a contradiction. **The Committee has already expressed regret** on the absence of funding relating to equality: the further omission from “The Scottish Budget” of any performance indicator relating to achieving those aims and objectives already articulated by the Scottish Executive in their “Equality Strategy” adds to that regret. Aside from the powerful message sent by an unequivocal commitment to equality, well drafted performance indicators allow:

- measurement of progress toward corporate targets and objectives;
- clear lines of accountability;
- the comparison of performance to identify opportunities for improvement; and
- the promotion of service improvements by publicising performance levels.

54. Despite the commitment in the Scottish Executive Equality Strategy to incorporate “Equal opportunities objectives...into departmental business plans” from April 2001 with the intended outcome to “Encourage mainstreaming and monitoring”<sup>25</sup>, nothing is currently available to the Committee, the Parliament or

<sup>25</sup> “Equality Strategy Working together for equality” Scottish Executive, November 2000, page 17

other stakeholders. **The Committee, however, notes** the Scottish Executive commitments to mainstreaming equality pilots in the Equality Strategy to “provide systems and tools for the equality impact assessment of budgets and spending plans” by Autumn 2001.

### Principal Issues arising in evidence

55. Coming at the end of the timetable assigned to the work, **the Committee also notes** the research commissioned by the Finance Committee<sup>26</sup>: this raises three points for the Committee, which complement the findings emerging from the consideration of the evidence.
56. The first relates to the actual amount of resources which is part of the wholly discretionary spend available to the Scottish Executive: whilst representing a small part of the entire budget proposed for 2002/03, the potential impact upon smaller organisations, especially within the voluntary sector, remains clearly immense. These should be highlighted more clearly and offered up for discussion with all stakeholders in far greater detail than at present.
57. The second part relates to that far greater proportion of the budget which is effectively non-discretionary: given that there is little scope for change in these areas, it further increases the need to ensure that this committed expenditure has due regard to equality. If we are unable to effectively transfer this funding, it must be absolutely certain that equality is delivered by it.
58. The third issue is raised by the intriguing point that political accountability of Scottish Ministers could be enhanced by the use of the “opportunity cost”<sup>27</sup> method, whereby the AER states not only what the resource cost of the chosen priority is but also defines the opportunity cost to other sectional interests of their not being a priority.
59. The principal issues for the Committee have been:
- a failure to pay due regard to recommendations made on the previous budget;
  - ongoing presentational issues associated with the accessibility of the AER in terms of cost, availability, financial language adopted, absence of minority languages;
  - lack of accountability in delivering equality;
  - the absence of an overarching statement on equality;
  - patchy use of performance indicators and funding statements; and
  - an apparent failure in the approach towards policy development within the Scottish Executive, highlighted by inadequate analysis of policy outcome and impact and attributable to a failure to involve relevant stakeholders in the overall process, not just those sections associated with the budget cycle.

<sup>26</sup> “The Real scope for change: appraising the extent to which the Parliament can suggest changes to programme expenditure”, SP Paper 322

<sup>27</sup> Opportunity cost: the cost of making an investment that is the difference between the return on one investment and an alternative

## Overall views on the 2002/03 budget process

60. An improvement on “Investing In You”. However, despite the efforts that have clearly been made by the Scottish Executive, **the Committee does not consider** that “The Scottish Budget” fulfils the CSG Financial Issues Advisory Group recommendation that “Government accounting should use simple language and community understood terms.”

## Recommendations

- R1 The Committee recommends that future budgets show ring-fenced resources allocated to equality.
- R2 The Committee recommends that future budgets show an impact assessment on sectional groups of society, based on the Scotland Act, Schedule 5, L2 definition of equal opportunities.
- R3 The Committee recommends that the Scottish Executive consult widely on a draft AER prior to introduction into Parliament. An analysis of comments received and rationale behind non-inclusion in the AER should accompany the AER as introduced.
- R4 The Committee recommends that consultation, under R3, clearly differentiates between wholly discretionary expenditure and that which is clearly committed.
- R5 The Committee recommends that the Scottish Executive pilot the use of the “opportunity cost” approach to policy costing in the next AER.
- R6 The Committee recommends that the Scottish Executive evaluate the effectiveness of the current arrangements for disseminating budget details (not necessarily restricted to that shown in the AER), including the full economic costs of obtaining information. Due regard must be paid to the accessibility of budgetary information in the area of financial language, minority languages and alternative formats.
- R7 The Committee recommends that the Scottish Executive insert an overarching commitment to equality as a separate section in future budgets.
- R8 The Committee recommends that the Scottish Executive provide details, either within the budget document or elsewhere, of the manner in which (i) new policy has been developed in line with the EFQM and an overarching equality strategy and (ii) existing policy commitments that have not had a “guarantee” under (i) have been equality assured.

## **Budget 2001/2002: Stage 1 – submission to Finance Committee**

1. From Table 0.1 of *The Scottish Budget*, it can be seen that health spending will account for 31% of Total Managed Expenditure in 2002/3. The Health and Community Care Committee (hereafter “the Committee”) acknowledge that this is the single largest item after central government support for local government. This makes the presentation and scrutiny of its budgetary plans especially important.
2. The Committee wishes to draw attention to two positive developments in health budgeting and monitoring since this time last year.
  - Firstly, the Committee has found evidence that the three-year minimum guaranteed unified budgets for health boards are welcome at local health board level as they allow managers to enter into service developments with some degree of confidence that this will be financially sustainable. The Committee recommends that the Executive now consider other ways to reduce disincentives inherent in the existing system of resource allocation. One example is the disincentive for one budget-holder to incur extra costs when another budget-holder will make the savings. While the unified budget is intended to address this, it is still unclear how, for example, a general practice that incurs costs in preventive treatment will be credited with the resulting savings in the need for hospital care.
  - Secondly, the Committee has been encouraged to hear evidence regarding the new system of performance assessment for health boards. Crucially, performance is not defined solely in terms of finance but also of health gain, clinical quality, clinical governance, employee relations, and so on. The proposed independent element to the assessment is particularly welcome. The Committee look forward to seeing how this works in practice and recommends that as many of the proceedings as possible be placed in the public domain for accountability reasons.
3. However, the Committee was disappointed by other aspects of the document. Commenting on *Investing in You* last year, the Committee called for:
  - greater transparency in the budget document;
  - more detail of budget allocations below health board level;
  - more detail on the reasons for changes in budgets from year-to-year;
  - more comprehensive outcome measures that would allow monitoring of performance; and
  - better links between different policy documents.
4. Unfortunately, the Committee believes that most of these criticisms can be repeated this year with respect to *The Scottish Budget*.
5. This document sets out the Committee’s responses to the questions posed by Finance Committee, and then makes some further comments that are not

explicitly covered in these answers. Note that some requests for information have yet to be answered by the Executive and further recommendations may be made in the light of these replies.

**General**

**Question: How does the annual expenditure report compare with last year’s budget documentation, *Investing in You and Making a Difference for Scotland*, in terms of—**

- **Readability and cohesiveness**
- **Robustness of expenditure figures (for year on year comparisons)**
- **Adequacy of explanations for substantial changes in funding allocations and exceptional changes in departmental performance**

***Readability and structure***

6. On a very practical level, the Executive needs to review the numbers in the print-run for next year’s budget document. While it is available on the internet, formatting can suffer and the web still does not enjoy universal access.
7. The readability is slightly improved on last year, but this is faint praise. There is more detail than in last year’s version but this does not mean there is more information. The readability is hampered by the amount of detail given to items that form a small proportion of the budget, obscuring the fact that very little detail is given as to how the lion’s share of the money, i.e. the allocation to health boards, is to be spent.
8. There is a structure to the chapter in terms of three different sections (‘Hospital, Community and Family Health Services’, ‘Other health services’ and ‘Community Care’) but this is seriously diminished by the lack of a numbering scheme for sections and sub-sections.
9. The document would be far clearer if, after an initial introduction, a table were presented which focused on how the new money in 2002/3 is to be allocated. This information is contained in tables throughout the chapter but is never brought together in one place. An example for the year 2002/3 is given below:

**Table One – Growth money for health care 2002/3**

	<b>Increase (thousands of pounds)</b>	<b>% rise</b>	<b>% of new money</b>
<b>New money available in 2002/3</b>	<b>£457,715</b>	<b>7.5%</b>	<b>100%</b>
HCFHS	£455,038	7.6%	99%

Other	-£23	0.0%	0%
Community care	£2,700	14.1%	1%
<b>HCFHS</b>			
To health boards (via Arbuthnott)	£333,304	7%	73%
Demand-led primary care	£63,453	10%	14%
Misc. HCHS	£36,637	81%	8%
Postgraduate medical/dental education	£9,768	7%	2%
Scottish Ambulance Service	£5,291	6%	1%
Capital	£5,000	2%	1%
Education and training	£4,559	5%	1%
Common Services Agency	£2,595	2%	1%
State Hospital (Carstairs)	£428	3%	0%
Clinical Standards Board (CSBS)	£105	4%	0%
Health Technology Board (HTBS)	£70	4%	0%
Clinical negligence	£0	0%	0%
Capital receipts	£0	0%	0%
Retained income	-£6,172	7%	-1%
<b>Other</b>			
Health Improvement Fund (HIF)	£0	0%	0%
Public Health	£2,087	16%	0%
Health Education Board (HEBS)	£209	3%	0%
Services for people with disabilities	£72	2%	0%
National Board for Nursing	£1,800	56%	0%
Misc. other health services	-£4,714	-22%	-1%
NHS Central Register	£0	0%	0%
NHS24	-£1,239	-10%	0%
Grants to voluntary organisations	£702	45%	0%
Research	£421	4%	0%
Welfare foods	£0	0%	0%
Mental Welfare Commission	£643	43%	0%
Capital budget	£0	0%	0%
Retained income	-£4	0%	0%
<b>Community care</b>			
Grants to voluntary organisations	£100	5%	0%
SCRC and SSSC	£2,600	67%	1%

Mental Illness Specific Grant	£0	0%	0%
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10. In replying to suggestions on how to change the document, John Aldridge, suggested that it was already longer than the other sections when he gave evidence to the Committee on 16 April (HC, col 741). There is no pre-ordained length for the chapter and if appendices are required then the Committee sees no reason why these should not be included. As pointed out earlier, health is one of the largest components of the budget and it could be argued that it requires a longer section.

### **Robustness of expenditure figures**

11. The expenditure figures appear to be robust, although the recent report to the Finance Committee by Professor Midwinter<sup>1</sup> raises concerns about the appropriateness of using the GDP deflator as a measure of inflation in the health service. Pay awards form a substantial component of NHS costs (estimated at 71%) so increases above the 'headline' inflation rate mean that health services spending can appear to be increasing in real terms by one definition of that term and decreasing by another definition. While the need for some consistency across chapters of *The Scottish Budget* is necessary, the Committee would also like to see the real expenditure data re-estimated on the basis of Professor Midwinter's figures in future budgets.

12. A problem with the robustness of the data arose while questioning John Aldridge; when asked to explain why expenditure on items such as the Health Improvement Fund were being frozen in absolute terms in 2002/3, he said that this was because the figures included in *The Scottish Budget* were in error (HC, col 1749). To compound this, his promise to supply an accurate version of this table to the Committee following on from that meeting on 25 April has not been fulfilled.

13. The Committee also questions the data on the costs of PFI schemes included in the document. It is unclear whether these are the building costs for the scheme or the repayment costs. The Committee is concerned about the continuing lack of transparency regarding these data and the consequent inability to verify that these represent 'best value'. In its evidence UNISON questioned whether PFI specific schemes could be justified, Jim Devine, UNISON, 9 May HC, col 1850). The Committee recommends that the Executive release a full version of the cost data covering both building and repayment costs to the NHS. The forthcoming consideration to be given to this subject by the Finance Committee is to be welcomed.

14. A final concern is the potential pensions shortfall. While this was only touched on briefly in the evidence presented to the Committee (HC col 1901

<sup>1</sup> [SP Paper 322 The Real Scope for Change: Appraising the extent to which the Parliament can suggest changes to programme expenditure](#)



and 1902) it would be helpful if The Executive could make a formal statement clarifying the position.

***Explanation for changes in budget items / performance***

15. The Committee was generally dissatisfied with the explanation for changes in budgets. As in last year's document, the primary care prescribing section is a more positive example as it explains changes in the cost and volume of drugs, giving some rationale for increases (although, ironically, it is no longer a separate budget heading!). The Committee asked last year to be given the same level of explanation for each of the headings but this has not been supplied, although it is acknowledged that fuller details of the functions of each agency and division are given.

16. To give some concrete examples, why does the Mental Illness Specific Grant not increase when this was specifically highlighted as an issue by the Committee last year? This may be down to incorrect figures in *The Scottish Budget* but when no further data have been supplied six weeks later then it is not possible to say that the budget is transparent and has been adequately scrutinised. Basically, the Committee is asking for a clearer explanation of the relative amounts allocated to each programme in column 2 of the table above. What is the rationale, for example, for only allocating an additional £200,000 to HEBS? The Committee recommends that each heading be given a clearer rationale and justification.

**Question: What consultation has the Department undertaken in compiling its chapter of the annual expenditure report? Have the results of any consultation been made available to the Committee?**

17. This information was requested from the Executive on 1 May but no reply has been received at the time of writing.

**Question: Is the Committee satisfied that there is clarity on the effect of departmental policies for men and women? What progress has the Department made in equality-proofing its policies?**

18. This information was requested from the Executive on 1<sup>st</sup> May but no reply has been received at the time of writing.

**Departmental Performance**

**Question: Is the Committee content with the strategic direction of the Department as a whole (and its component divisions/ agencies)? Is the Committee satisfied that the Department's key aims for policy outcomes are set out in the Annual Expenditure Report?**

19. The Committee is concerned that *The Scottish Budget* makes little reference to other health policy documents such as *Our National Health* or even *Priorities and Planning Guidance*. The Minister has pointed out on a number of occasions that much can be achieved without spending more money on a problem: the Committee accepts this. However, the failure to *either* cost action points arising from policy documents *or* include these in the financial planning process suggests that central policy is being made with no idea of the costs of implementing it. It is difficult to believe that this can then result in an optimal allocation of the health care budget. To help to understand the local implications of national policies the Committee heard evidence from NHS Argyll and Clyde (although it is acknowledged that this only reflects the experience of one area within Scotland). Witnesses were asked whether the action points in *Our National Health* could be addressed within the existing budget. Some could but it was felt that for others it would be “very difficult” (Michael Bews and Dr. Erik Jespersen, Argyll and Bute Primary Care NHS Trust. (HC, col 1843)).
20. Further evidence of this tendency to make a commitment and leave the costs to the local level was supplied by UNISON in its budget evidence when it claimed that pay awards are not fully funded (HC, col 1850) although the Minister denied this when the point was put to her (HC, col 1890). However, the Committee is also aware from last year’s evidence that The Executive made commitments to establish a number of ‘walk-in, walk-out’ clinics with no clear idea of what these would cost. Some evidence of the effect of this policy has been presented to the Committee:
- “By the time the money has been top-sliced at the Scottish Executive for recombinant factor VIII or IX and so on – and top-sliced at various other points along the way – it does not feel as though there is a lot left at the bottom of the pile.” Judith Illsley, Director of Planning and Performance, Argyll and Clyde Health Board (HC, col 1829).
- The Committee also heard that out of a 5.5% uplift at local level only just over one-half of this was getting to ‘front-line’ primary care and community services in one health board area (Dr. Erik Jespersen, clinical lead, Argyll and Bute Local Health Care Co-operative (LHCC) (HC, col 1837). The remainder was being used to meet (quite legitimate) objectives that were beyond the local decision-makers’ control such as reducing junior doctors’ hours of work. While a specific primary care development fund had been established there as concern that this was also susceptible to the same pressures. The Committee thus recommends that The Executive take greater cognisance of the fact that every time it makes a new commitment that local decision-makers must meet it reduces their scope to be responsive to local needs.
21. In his evidence John Aldridge stated that the cost of achieving some targets *could* be estimated in advance – he gave increases in the number of heart operations as one example and, from *The Scottish Budget*, it is clear that a scheme such as NHS24 can be costed in advance. (He also stated that he

would write to the Committee with further examples but at the time of preparing this document this had not been received). While the Committee accepts that it is not possible to be precise in every case, it would like to see much greater attempts to (i) cost things before a decision is made to implement them (including the knock-on costs of decision, such as providing the capital cost for a new MRI scanner without considering the revenue consequences (HC, col 1893), and (ii) to ensure that boards have earmarked funds to implement these ideas to the timetable set out.

22. The Committee is also concerned that, while health boards are required to set and publish five-year financial plans for how they will use the resources allocated to them, *The Scottish Budget* makes no reference to these and there is no attempt to provide a national overview. The Executive is committed to strengthening primary care, presumably involving a shift in expenditure towards that sector where that is appropriate. Evidence prepared for the Committee suggests that such a shift will occur but much of this could be explained by increases in the primary care prescribing budget. While this *is* a shift, it is not enabling GPs to reshape the service. This is a simple example of how the failure of *The Scottish Budget* to go into any detail of what is happening below health board level allows crucial changes to be masked.
23. The Committee is concerned by evidence from the Health Improvement Programmes produced by health boards in 2000/1 that only £2 million of new money went on service developments in the treatment of cancer and only £1 million on coronary heart disease. (The Committee accepts that there may also be some funding for these services through the capital budget or through waiting list monies but this is not apparent from the documents). Still more striking was the lack of **explicit** spending commitments to reducing inequalities. Individual members of the Committee also know from local experience that additional funds given to boards under the Arbuthnott formula cannot be shown to have been targeted on the most deprived groups (HC, col 1739) or on rural areas Mary, (HC, col 1884). Although there is a case for local autonomy the Committee believes that this can be overstated – when no guidance is given to health boards at all, the impact of extra funding is diluted by being so thinly spread and does not always serve the intended end-purpose.
24. It is clear that the Executive **does** have a view on how resources are allocated. For example, the Minister has stated on a number of occasions that postcode prescribing must be addressed. In his evidence John Aldridge also said—
- It is clear that the Executive expects the additional money that is going to several health boards as a result of Arbuthnott to be used for certain things, including tackling those areas that Arbuthnott suggested were

being under-resourced in the past – primarily factors relating to deprivation and rurality. (HC, col 1750).

On 16 May he also set out Highland Health Board's plan to use additional Arbuthnott monies (HC, col 1886) but these did not appear to directly affect the target groups until year 3; the Committee is concerned that further financial pressures may change this strategy in the meantime. The Committee welcomes the centre 'taking a view' and encourages it to do so more explicitly through a clearer statement of what boards should do with the money given to them. Members felt strongly that this should be central to the new Performance Assessment Framework to ensure that central intentions were followed through at local level so that local people saw the benefit of the resources being allocated to health and health care.

25. The Committee wishes to see the development of the budgetary process so as to establish an 'audit trail', whereby spending decisions delegated to a local level can be clearly seen and related to national priorities. As one step towards this, the Committee proposed that the Executive explore programme budgets for selected diseases such as cancer, heart disease and diabetes. *The Scottish Budget* claims that this is not possible, and in evidence John Aldridge said that costs by disease would be "inadequate and misleading" (HC, col 1735). However, the Committee has evidence from witnesses that this is not the case and has been carried out in some health authorities in England. The Committee accepts that such exercises (i) cannot be precise and (ii) cannot be interpreted in isolation. For example, differences in spending on cancer should be set alongside what is known about variations in epidemiology, health service activity and outcomes data. The Committee feels that this idea is worthy of further exploration and urges the Executive to explore it in more detail.
26. The Committee recognises the Minister's stated reluctance to be overly prescriptive about how health boards spend the money allocated to them. It also accepts the principle that there must be some degree of local autonomy. The move towards a Performance Assessment Framework is to be welcomed in strengthening the centre's ability to monitor and guide local decisions, but the Committee feels more could be done. The Committee shares the Executive's desire to create a truly national service where accessibility does not depend on where you live. For example, a matter of concern is the number of specialist nurses in the management of multiple sclerosis. Because of the work of the Multiple Sclerosis Society, the Committee is aware that there are only seven such specialists in Scotland, only five of whom are funded by NHS Scotland. It is not obvious that they are located in the health boards with the greatest need. The Committee feels very strongly that (i) if this service is effective and cost-effective then it should be available throughout Scotland and (ii) this type of information should be available to them through the Executive statistics, including the budgetary process, rather than through the good work of an outside agency.

**Question: are there (timed) objectives and targets to underpin these aims? Where a timeframe has been expressed which goes beyond 2001/02, has an interim target been stated?**

27. The health chapter of *The Scottish Budget* includes three separate sections covering 23 objectives and targets. In his evidence John Aldridge stated that these were taken from *Working Together for Scotland*. The Committee repeats last year's criticisms i.e. that these are not outcome-focussed, and do not fit the timescale for the budget under discussion. Of the 23, 15 are not relevant to the financial year 2002/3. Three others were noted as being 'on-going' in 2001/2, but without a definite end-date. Of the five with a definite end date of 2002/3 or beyond, the targets are as follows:

- To finish two capital schemes by 2003 (Phase 2 of the Royal Infirmary, Edinburgh and the Aberdeen Children's Hospital)
- Wait for elective in-patient surgery to be no more than 9 months by 2003
- Financial allocation to health boards to be at Arbutnott target levels by 2007
- Allocations to health boards to increase in real terms with indicative levels set to 2003/4
- Electronic Clinical Communications Implementation initiative to be in full operation by 2003

28. While these targets include laudable goals, the fundamental aim of the health service is to make people better (or to prevent illness) yet none of the targets relate to this. As a priority, the Committee would like to see evidence that the Executive is working to set long-term health outcome targets. The same point was made in last year's comment on *Investing in You*, but it appears to have been ignored.

29. In his evidence, John Aldridge acknowledged this, and said that the Executive was working on this problem (HC, col 1757). It is not clear what work is being carried out, or the progress that has been made since last year. He also mentioned the possibility of using proxies for outcomes, such as trends in admissions to psychiatric beds as an indicator of mental health. The Committee is not convinced that such data would be meaningful.

30. The other problem is that the targets set out do not cover the full range of health care activity. One example, which could be easily included without the need for further development of outcome measures, is a target to reduce the number of delayed discharges and the length of time they occupy beds. Last year, the Executive earmarked funds for this purpose and saw some impact. The Committee would like to see further specific allocations to be targeted on this problem rather than leaving everything to local discretion.

**Question: In light of the extra funding resulting from the Comprehensive Spending Review last year, what evidence is there that this has resulted in the Department's objectives being raised?**

31. This information was requested from the Executive on 1 May but no reply has been received at the time of writing.

**Question: Does the Committee consider that the achievement of objectives and targets listed in the annual expenditure report will result in the intended policy outcome being achieved? Is the Committee satisfied it understands why and how departmental targets were arrived at? What modifications, if any, does the Committee wish to recommend in terms of the objectives and targets?**

32. As stated in reply to question 6, the Committee believes the targets set in *The Scottish Budget* to be wholly inadequate for the purposes of guiding or judging performance.

**Question: Is the Committee content that adequate mechanisms are in place to monitor whether the objectives and targets are being met?**

33. The Committee welcomes the new Performance Assessment Framework, presented by Gerry Marr of the Executive. The Committee is keen that this should not merely be a review of past performance, but is happy that the oral evidence suggests it would also look at future plans. The Committee looks forward to seeing (i) the details of the PAF and (ii) the process in action.

**Question: How did the Department perform in relation to the targets that were included in *Investing in You*? Where targets have not been met, is the Committee satisfied why this is the case? What measures has the Department put in place to address the situation?**

34. The first point to make is that, in commenting on *Investing in You* the Committee was highly critical of the targets set in that document.

35. The Committee put this question to the Minister who said—  
In the main, progress towards stated targets and time-scales has been on course. However, there are certain projects for which that has not been the case either because of unforeseen factors or because, as projects have developed other needs have been identified, and we have had to realign resources accordingly. In general, progress towards attainment of targets has been relatively good. (HC, col 1888).

36. John Aldridge was asked whether the targets had been achieved and said—

In so far as they were due to be achieved in the past financial year, they have been, largely. There may be some slippage in some of them. (HC, col 1755).

37. Elsewhere in his evidence he admitted there was some doubt about whether the target for 80 'walk-in, walk-out' centres could be achieved by 2002.

38. Further information was requested from the Executive on 1 May but no reply has been received at the time of writing.

### **Funding Allocations**

**Question: If the Committee is content with the aims and objectives of the Department but is not confident that the funding allocation is adequate for the aims and objectives to be met, what changes in funding allocation for 2002/03 does the Committee recommend?**

39. The Committee does not believe that it has sufficient information to address this question. At a basic level, the information available to the Committee about the budget is incomplete, as the Executive has not supplied an amended copy of the necessary tables. The budget document does not link expenditure to targets so it is very difficult to say whether the resources are adequate.

**Question: Similarly, if the Committee recommends that the Department should alter its aims and objectives, how should resources be allocated in 2002/03 to meet these proposed revisions? The Committee should make it clear whether it considers it is possible to revise the funding arrangements and keep to the proposed total departmental figure.**

40. The Committee does not believe that it has sufficient information to address this question.

**Question: The Committee should state which areas of the Department would benefit most from any additional expenditure that may become available, either during 2001/02 or for 2002/03.**

41. Very little information is available about the purpose of expenditure in different areas in terms of objectives or targets. This makes it difficult to say what impact a given additional amount of funding would have. While the Committee can think of many good causes in the fields of health and health care, it cannot supply an evidence-based reply to this question. This would be easier to answer next year if the Executive set targets for the service represented by each of its budget headings.

## **General discussion**

42. The Committee is disappointed that, on re-reading last year's report to the Finance Committee, so many of the same comments could be made. Nowhere is this more evident than in the case of the objectives and targets met. Amongst the points the Committee made last year on this subject were the following:

- Budget document to include five strategic aims from Priorities and Planning Guidance 1999-2002 (MEL(1998)63). It is not clear whether this has been superseded. The five strategic aims were improving health, developing primary care, developing community care, reshaping hospitals and tackling inequality. However, they are not included in this year's report either.
- Attempts to be made to link spending to these aims.
- Targets to be developed to underpin each of the five strategic aims.
- Public health targets to be included from "Towards a Healthier Scotland".
- Clarify which of the targets are the responsibility of health boards and which fall to the Executive.
- No way of linking HIPs to the national budget.
- None of the stated objectives or targets are costed.
- Targets to be developed for reduction of inequalities.
- Targets to be developed for 'cross-cutting' issues.

43. In her written reply to the Committee in September 2000 the Minister acknowledged these problems and said, "I am prepared to revisit this aspect in future budget documents to ensure that the targets, aims and objectives we include cover the full range of activity." (Response to point 1, letter dated 11/9/00). Despite this, *The Scottish Budget* shows no progress at all from the previous year's document.

44. Speaking on 16 May, the Minister repeated her view expressed last year that further data collection was, in her view not justified.—

"We do not want to create an industry that gathers lots of financial data at the centre or, for that matter, have the NHS spend a lot of time submitting financial data that could or should be reported at a local level." (HC, col 1877) also (HC, col 1879).

45. The Committee certainly agrees that we should not collect data for its own sake and that any changes should be subject to a careful analysis of the likely costs and benefits. However, the Minister appears to rule out any further data collection, which would rule out the disease expenditure proposal and the development of further outcome measures. This sits uncomfortably with her view stated later in the session—

"If members make specific suggestions ... we are happy to investigate them." (HC, col 1897).



46. The Committee is more supportive of Gerry Marr's view that The Executive should not be bound by existing data collection.  
...we are setting ourselves the task of not falling into the trap ... of starting by saying, 'what data do we have available?' That is not the starting point. The starting point is to ask, 'What do we need to make a reasonable assessment of the performance of the NHS in local communities?' (HC, col 1878).
47. If the budget contains no detail, does not reflect national priorities and is not outcome-focused then it is hard to see how anything will improve if the Minister's view prevails.
48. In May 2000 the Committee asked that a process begin in June 2000 to improve next year's budget cycle. The Minister replied that this was a matter for Finance Committee to take a lead. As this has had no noticeable impact, the Committee (i) asks Finance Committee to delegate this authority to the Health and Community Care Committee to explore, and (ii) requests that the Executive launch such an exercise beginning in June 2001. The Minister said in her letter of 11/9/01, "I can assure you that I and my Ministerial colleagues are committed to an open and accountable budget process." The Committee feels that there is much still to be done to achieve this in the light of the evidence of *The Scottish Budget*.
49. More generally, the Committee is frustrated by the continuing lack of accountability at all levels of service delivery. While *Our National Health* brings welcome developments in the democratisation of health boards, the reality at local level is that boards often cannot answer relatively straightforward questions from MSPs about how resources have been allocated. The Committee recognises that it is not desirable for every aspect of health policy to be decided in St. Andrew's House. However, it calls for central action or guidance on a whole range of issues to reflect the fact that the Executive is accountable to Parliament in a way that local health boards have not been **to date**. The Executive must recognise how many hopes are riding on the new Performance Assessment Framework as a way of closing the gap between local decision-making and accountability to Parliament and other elected bodies. To take cancer as an example, there is good cross-party agreement in parliament that this is a priority area – lack of accountability must not be allowed to lose this sense of purpose before it reaches the local level.
50. The Committee has particular concerns about the accountability of LHCCs. As a vehicle for the development of primary care they are to be welcomed. However, despite the fact that they are making important decisions about resource allocation LHCC meetings are not held in public and they do not appear to be accountable (except in the very broadest sense) for how they act. On the other hand, the Committee also has evidence from Argyll and Bute LHCC that the vast majority of LHCCs do involve the public (Michael

Bews, (HC, col 1830)). It would be helpful if this apparent variation in practice could be documented and examples of 'good practice' disseminated. It would also be helpful to clarify whether 'involvement' implies any degree of 'accountability'. The Committee welcomes the publication of the recent report on LHCCs and hopes that this will lead to a reduction in the variation seen across the country towards a more effective and accountable model.

51. Finally, it is regrettable that some aspects of this report are not fully informed because the Executive has not supplied the information promised in oral evidence. While the Committee appreciates that some delays are inevitable, data have not been received six weeks after they were promised. This mirrors the situation last year when responses to points raised in May were received in October; other data requests relating to the costs of PFI schemes appear not to have been received at all. The Committee finds this totally unacceptable. If The Executive do not reply to queries and submit data in a timely manner then adherence to the Executive's budget timetable is impossible. The Committee expects a different approach from the Executive next year.

### **Recommendations**

52. The Committee recommends the following:

53. That The Executive should acknowledge the deficiencies in *The Scottish Budget* and set out a programme of work that will start a process of improving the transparency and accountability of the resource allocation process.
54. That the first priority be a review of outcome measures. This should include a review of the outcome targets already set, a list of the gaps to be made public, and a review of the options for setting new targets. If this suggests that targets cannot be set because the NHS does not currently collect the data to measure them then this should be addressed as well.
55. That as a first step to greater accountability, discussion between health boards and the Executive as part of the performance assessment framework be made public in as much detail as possible.
56. That the Executive immediately begin a review of how expenditure data can be improved with a particular focus on integrating local health plans into the national framework. This should include an assessment of the strengths and weaknesses of estimating disease-based expenditure by health board and setting this against an array of output and outcome measures for the specific diseases.
57. That the Executive should begin a process of setting minimum standards so as to address postcode issues in the provision of care and provide equality of

access to services. As a specific example, there appears to be no rationale for the current variation in numbers of specialist MS nurses paid for by the NHS. The Executive should give guidance to health boards on the minimum level of provision it expects in this case. It should then start to address similar cases such as provision of services for chronic pain and epilepsy.

58. That the Executive should explore ways to reduce the disincentives inherent in the budget process. The three-year minimum guaranteed budgets for health boards are a helpful step as they reduce the emphasis on short-term thinking. The next step must be to give local decision-makers an incentive to consider savings elsewhere in the system when they take decisions on service development. It should further explore what barriers there are to the introduction of cost-effective services and drugs and use the budgetary process to address these.
59. That the Executive should have an indicative costing for all new initiatives before they are introduced in order to be able to assess affordability at a local level (including any knock-on costs at a local level). The Committee does not think that 'ring-fenced' money should be available for every action point, but consideration should be given to the circumstances in which this would be appropriate and these should be made public.
60. It should be noted that these are not the only action points arising and that other recommendations made in the text above should also be considered.

## JUSTICE 1 & JUSTICE 2 COMMITTEES

### THE SCOTTISH BUDGET 2002/3: STAGE 1 REPORT TO FINANCE COMMITTEE

#### Introduction

1. The Justice Committees have been asked to report to the Finance Committee on the relevant parts of the Annual Expenditure Report of the Scottish Executive which sets out spending plans for 2002/3 and 2003/4. This report covers sections 1 and 2 of the Executive report, *The Scottish Budget*. Section 1 concerns the Justice Department budget, which is the responsibility of the Minister for Justice, and includes support for police and fire services, prisons, the courts, legal aid, criminal injuries compensation, criminal justice social work and victim issues, and emergency planning. Section 2 concerns the Crown Office and Procurator Fiscal Service, which is the responsibility of the Lord Advocate.

2. Consideration of the budget clearly cuts across the work and interests of both Justice Committees. It was therefore agreed by the Parliamentary Bureau that budget scrutiny should be undertaken by both Justice Committees working jointly, in accordance with rule 6.14 of the Parliament's standing orders.

3. The Committees had an informal briefing from officials of the Scottish Executive and took evidence from the Deputy First Minister and Minister for Justice, Jim Wallace, and the Solicitor General, Neil Davidson QC. The Committees also took evidence from: the Crown Agent; the Procurators Fiscal Society; Victim Support Scotland; the Fire Brigades Union; the Scottish Prison Officers' Association; the Glasgow Bar Association; and the District Courts Association. Written evidence was also received from the Sheriff Court Users Group.

#### General issues

4. In its report at Stage 1 of last year's budget process, the Justice and Home Affairs Committee commented on the tightness of the timescales, the difficulty of interpreting the data, the vagueness or unmeasurability of many of the targets and the lack of information on past performance. We are therefore pleased to note that this year's report was not only published on time but was a considerable improvement in terms of readability and the clarity of the figures and accompanying explanation. Not surprisingly, there is still scope for greater clarity. For example, Table 1.13 shows without comment an increase from £8m to £22m in the "other miscellaneous" category. While we have since clarified that particular increase<sup>1</sup>, we suggest strongly that the budget report should always explain increases above inflation (let alone the trebling of a particular budget line).

5. While the timetable for reporting on the budget continues to be a tight one, given the pressures of other business, we consider it manageable particularly as committees build up their expertise in the budget process itself and in the subject areas. We welcome the fact that both committees were able to bring to the budget scrutiny knowledge gained from their other legislative and inquiry work. We also note

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<sup>1</sup> See Executive's supplementary written evidence for 30<sup>th</sup> May meeting

the potential value of this process in picking up areas of policy, or views of witnesses, which the committees' wider work programme has not been able to include.

6. One specific, avoidable, irritation was that not enough copies of *The Scottish Budget* were made available to the Parliament's document supply centre which quickly ran out.

### **Overall Justice budget**

7. Pages 14-15 of *The Scottish Budget* show the overall spending plans for the Justice Department, summarised in table 1.1 under broad categories of spend (referred to as Level 2 figures). Last year, the Justice and Home Affairs Committee had some difficulty making year on year comparisons because of various mid-year changes in the planned expenditure for the current year. The Executive in its written response<sup>2</sup> has explained that this time, the figures are in each case the planned spend at the start of the year. This means that like is being compared with like, although one consequence is that in-year changes to the 2000/01 figures (for example, to take account of additions such as funding of the Lockerbie trial or asylum seekers) are not shown in the report.

8. The overall aim of the Justice Department is "a safer and fairer Scotland" and its main tasks are "to carry out policies for a secure Scotland, where individuals and communities are free from crime and free from the fear of crime". The introductory section and each specific section sets out the policies and programmes whereby this is to be achieved. This also includes information on the Department's two agencies, the Scottish Prison Service and the Scottish Courts Service, although in both cases the agencies' own planning documents need to be read alongside the budget report to understand properly their objectives and targets.

9. There is a separate short section (pages 48-9) covering the work of the Crown Office and Procurator Fiscal Service whose overall aim is "to play a pivotal role in the achievement of the purpose of the criminal justice system of maintaining the security and confidence of the people of Scotland by providing just and effective means by which crimes may be investigated and offenders brought to justice". Considerably more detail of the department's aims, objectives and targets is provided in the Crown Office annual report and strategic plan, which are published separately.

10. While we support these general aims we feel that there is an omission throughout the Justice chapter relating to the achievement of a joined-up justice system. During our scrutiny, many examples of this have arisen including between the police and the fiscal service over initiatives leading to increased prosecutions; and between prisons and other agencies over alternatives to custody and over drugs prevention. We would like to see this much more clearly emphasised, to demonstrate whether the many worthwhile initiatives by each agency do in fact join up.

11. The Committees had a number of comments on the policy areas covered in the report. We identified three areas as being of particular concern: legal aid, the

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<sup>2</sup> Question 3 of Executive's supplementary written evidence to 8 May meeting

prison service and the procurator fiscal service. We also had some specific comments to make on victim services, the fire service and the district and sheriff courts.

### Legal Aid

12. Table 1.10 of *The Scottish Budget* shows planned funding for both legal aid administration and the legal aid fund staying at the same level for the three years of the expenditure period (although the fund is planned to increase by £2m over 2000/1). Since then, Minister has announced<sup>3</sup> an increase in administration funding for the Board (including some money from the Modernising Government programme) which will bring the administration figures to £9.875m, £9.49m and £9m for the three years of the review period. This additional funding will be used for modernising infrastructure and systems, on an “invest to save” basis, particularly in relation to electronic delivery of legal aid.

13. This increase in funding is particularly significant given that 5 of the 6 objectives of Scottish Legal Aid Board were not met in 1999/00, and three were missed very badly. Since then, there has been a new management team, the introduction of new systems and following on from that, a completely revised set of performance indicators. The Executive have indicated to us that they are confident that the new objectives can be met. On the basis of previous performance, we remain slightly sceptical about the likelihood of this, although less so since the increase in funding was announced.

14. The legal aid fund itself is projected to remain level (that is, decrease in real terms). There are many issues here, which will be picked up in detail in the report of the current Justice 1 committee inquiry. However, in advance of that, the Committees feel bound to comment on the issue of civil legal aid.

15. The Executive's general position on legal aid is that, while they have no plans to restrict eligibility, they have no reason to believe that there will be a substantial increase in the number of qualifying cases. This is despite a range of potential pressures on the fund including the Adults with Incapacity Act, the Convention Rights (Compliance) (Scotland) Bill and the extension of legal aid to certain tribunal cases. The Minister indicated that these pressures had been taken into account but that, as this was a demand-led budget, if the projections were wrong the costs would simply have to be met from the justice budget or elsewhere. Last year's budget was underspent and the Minister therefore suggested that it would be bad planning to tie up resources in this budget on a precautionary basis when they could be used elsewhere on a planned basis.

16. However, the context for this is that solicitors' fees for civil legal aid have not increased at all in the past 6 years. The implication of the flat budget line is that there are no plans to increase them in the next three years. We note the Glasgow Bar Association's observation that “It is backward logic to say that the budget is demand-led. The figure is only demand-led because the basic rate has been set...We could project the budget forward for the next 100 years at an hourly rate of £42.20” (OR, 16 May 2001, col 58). The Minister for Justice said that proposals for increases from

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<sup>3</sup> Written answer, S1W-15787, 15<sup>th</sup> May

the Law Society has been put forward and would be considered “in all good faith” (OR 16 May 2001, col 73). We consider that the Law Society would be justified in questioning that good faith when the budget line shows no provision for any increase at all. Clearly, if fees are not increased costs can be contained but it defies belief that keeping fees at the same level for 9 years can be sensible - unless they were set at an excessively high level to start with. Without some kind of regular uprating or review mechanism, it becomes more and more difficult – practically and presentationally - to catch up. There is a genuine issue here about a proper rate of pay for skilled professionals but our real concern is about the impact on access to justice if solicitors are – as appears to be the case – increasingly unwilling to take on civil legal aid cases. The Glasgow Bar Association described the system as “at the stage of meltdown” (OR 16 May 2001, col 56) and commented that “The legal aid system will just wilt away. Very junior solicitors will do the most difficult and most sensitive jobs.” (OR, 16 May 2001, col 57). They further commented that “When that happens, the system will be failing to meet the Executive’s objectives, as it will no longer offer access to justice and it will no longer be an effective service.” (OR, 16 May 2001, col 59).

17. The Minister suggested that, given the 25% increase in cost per case since 1995, solicitors were in effect getting an increase by this route. We have no definitive evidence either way, although the Glasgow Bar Association gave some persuasive examples of the ways in which costs have been increasing (OR 16 May 2001, col 59). Even if the Minister is right that some of the cost per case increase is a profit element, this would confirm that freezing the fees is not a transparent or sensible way of managing legal aid expenditure.

**18. The Committees request a fuller explanation from the Executive of the reasons behind the decision to freeze, and continue freezing, fees for civil legal aid.**

### **Scottish Prison Service**

19. Plans for the Scottish Prison Service show substantial increases in baseline funding. These are to cover increasing prisoner numbers as well as developments in prisoner intervention programmes and drug prevention work.

20. We also note that from within this increase, the prison service has been asked to find up to £12 million in revenue savings for reinvestment in the capital programme, to help make progress towards the target of ending slopping out in prisons. The degree of confusion around this planned saving arises because of the continuing uncertainty about the introduction of new attendance patterns and consequent staff savings. The estimate of savings at this stage is very wide - £5 million to £10 million – and will depend on what attendance proposals are finally negotiated, and when.

21. Prison service management’s estimate is that, if their proposals were implemented, staffing requirements would reduce by 250 although at present the service is already operating at 100 below complement. It is accepted by the staff representatives that ending slopping out will reduce the staff needed. The Minister and his officials gave us other examples of ways in which the current shifts are not

adapted to the needs of the work (OR, 16 May 2001, col 83). He also emphasised that there would be no compulsory redundancies and no cut in cash wages. We welcome this assurance, as long as the second part of it means that staff will genuinely not see a reduction in their take home pay as a consequence of new shift patterns. However, we are concerned at the service continuing to operate at 100 staff short with no certainty about when that situation will change. We are also concerned about staff morale and note that staff turnover is beginning to increase from historically low levels. The Executive view is that this is not yet at a level of concern; we await to see whether these issues will be addressed before turnover reaches that level.

22. The prison service met or exceeded 7 of its 9 key targets for 1999/2000. The Committees await the results for 2000/01 with great interest, given the difficulties outlined above. We also have some comments on the future targets.

23. Achieving the target of full access to night sanitation continues to await decisions on the much delayed Estates Review which the Minister now expects in the summer. The Committees record again their concern about the negative effect on staff morale of the continuing delay of this Review.

24. A new target has been introduced that "Of those tested under random MDT procedures, 85% will be clear of in-prison drug-use."<sup>4</sup> This is ambitious, to say the least, against an estimate that 70-80% of prisoners are using drugs before entering prison. We welcome the additional funding (£2m, £4m and £4m over the three years) allocated to meet this objective. However, we question the long-term value of it unless it is co-ordinated with expenditure to help prisoners become and remain drug free when they leave prison. We are aware that there are initiatives in this area but this is a key area where greater evidence of joined-up working would be reassuring.

25. We note that the number of assaults on staff were below target for the first time in 4 years and that the number of assaults on prisoners showed a decrease of 29%. We welcome this, but have two concerns. First, we note the view from the Prison Officers Association that this relates to the drop in prisoner numbers and we will watch closely to see if the improvement continues as prisoner numbers rise again. Second, we accept the concern that such a target, however well meant, carries an implication that some level of assault is acceptable. We suggest that, while the service should continue to monitor levels of assault and aim for year on year reductions, this should be set in a clear context that the only truly acceptable target is no serious assaults.

26. The Committees, and the Justice and Home Affairs Committee before them, have sought for some time to make sense of the target relating to cost per prisoner place. This is of crucial importance given the ongoing debate about the costs of private prisons and about the comparison of costs of private and public sector places. We are pleased to have at last achieved a measure of clarity about the different figures used; frustrated that it has taken so long to get there. The target is based on the average annual revenue cost per designed prisoner place ie per place

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<sup>4</sup> Question 22, of Executive's supplementary written evidence to 8 May meeting



which was planned when the prison was built. Even if occupancy levels are higher from time to time – for example, three prisoners in a cell designed for two – and even if these prisoners incur higher costs (more meals, kit, laundry, etc), the running costs are still divided by the number of designed places rather than the actual occupancy. The Minister commented that that “makes good sense as a managerial measure because we do not know the occupancy rate from week to week or month to month” (OR, 16 May 2001, col 79).

27. The target for 2001/02 is £32,600 per prisoner place (compared to £29,500 in 2000/01). (As mentioned above, from this £12 m revenue savings is to be found). In an overcrowded prison, since some additional costs will be incurred for additional prisoners, this would mean that average cost per prisoner place would go up (although average cost per *prisoner* would go down).

28. We suggest that cost per prisoner is the more appropriate indicator, as long as it is set alongside some indicator of overcrowding (ie occupancy levels above the number of designed prisoner places).

29. The Committees were also concerned that the figures relating to Kilmarnock prison, currently the only private prison, should be made more transparent. The report does not generally make clear which performance indicators include Kilmarnock prison. This could raise the suspicion – articulated by the Prison Officers Association<sup>5</sup> – that the figures are being manipulated by only including Kilmarnock when it is presentationally convenient to do so (for example, in relation to the slopping out target where Kilmarnock as a new build prison has full access to night sanitation).

### **Crown Office and Procurator Fiscal Service**

30. During last year's budget process, the Justice and Home Affairs Committee discussed in some detail with the Crown Office the adequacy or otherwise of their budget provision given the heavy reliance in recent years on end year flexibility (or carry over) to meet core running costs. The position from 2001/2<sup>6</sup> is that the Crown Office will be on an increased baseline for the funding period (from £49.8m in 2000/1 to £55m in 2001/2) ending the unsatisfactory reliance on carry over and supplementary estimates.

31. While we welcome this, there is a separate question of whether this increase is adequate, primarily in relation to the procurator fiscal service. This service will be looked at more fully in the current Justice 2 committee inquiry but both Committees have concerns arising from the evidence given on the budget.

32. We are advised by the Crown Office that about 60% of the costs in the Crown Office budget are staff costs. In recognition of the pressures on the service, particularly from the rise in serious criminal cases, additional staff are being recruited: 20 additional fiscal deputies this year, 10 more next year and additional

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<sup>5</sup> OR, 8 May 2001, col 50

<sup>6</sup> Crown Office, written evidence to meeting of 8 May 2001

precognition officers. There will also be additional staff for the new victim liaison service.

**33.** The Crown Office view is that this additional staffing is adequate to meet current circumstances, although they acknowledge that those circumstances continue to change (OR, 8 May 2001, col 20). We noted that 5 out of the Department's 6 targets were not achieved in 1999/2000, although we are advised by the Crown Agent that provisional results for 2000/01 suggest 5 out of 7 targets were met. The Crown Agent suggested that the growth in staff numbers and increasing experience of new staff, as well as the new IT system, led him to be confident targets will all be met in 2001/02.

34. Following the Crown Agent's evidence, the Committees heard from the Procurators Fiscal Society, the District Courts Association evidence and the Glasgow Bar Association about the pressures on the fiscal service.

35. The Procurators Fiscal Society represents most of the legal staff in the Crown Office, including some of the most senior. While they welcomed the additional staff, they expressed concern about the inevitable timelag before new staff become fully effective. In the meantime, they commented that "There is a difficulty with the level of experience of members of staff who are dealing with the most serious cases" (OR, 16 May 2001, col 36). Given the time lag before new recruits can gain sufficient experience, retention rates are clearly crucial. The PFS were very concerned about salary relative to other Government lawyers (that is, not even by comparison with the best paid sectors of the legal profession). The society noted that a comparability study was underway and their "gut feeling" was that it would indicate that salaries had fallen behind by as much as 25% (OR, 8 May 2001, col 37).

36. The Glasgow Bar Association noted examples of delays in courts arising from the Crown's lack of resources; their specific concern, naturally, is that the defence solicitor is the one person who is not remunerated for a wasted day in court because of Crown delays.

37. The District Courts Association confirmed the general view of unacceptable pressure on fiscals leading, for example, to a dramatic increase in the number of cases being continued without pleas because the fiscal has not had time to prepare the papers. They also supported the view that fiscals were being sent into court with insufficient experience. Even more worryingly, they told us of their strong impression – albeit this could only be hearsay from discussion with deputes – that : "Before budget constraints were introduced, fiscals who chose not to mark cases for court had to explain why those cases were not being marked for court and why a diversion was being used. Now, the system works the opposite way round." (OR, 16 May 2001, col 65). The Committees have not taken enough evidence to reach a conclusion about this issue, but if it were the case, it would clearly be a cause for great concern. Finally, the association indicated that there were increasing numbers of cases – road traffic fixed penalties was the example – which were time-barred before reaching court because of delays in the fiscal's office (OR, 16 May 2001, cols 67-8).

38. All three sets of witnesses were questioned about liaison with the police. This is clearly crucial to effective case management. The PFS noted that, while a depute should always be available, “sometimes there is a depute available and sometimes there is not” (OR, 8 May 2001, col 42). While the Glasgow Bar Association could not comment on relations with the police, their own experience was that “in contacting the fiscals’ office in Glasgow, sometimes one would be as well pushing one’s letters down a stank or telephoning someone else” (OR, 8 May 2001, col 63). This is an important example (as discussed in paragraph 10) of the goal of joined-up justice not being achieved in practice.

39. We put these concerns to the Solicitor General. We were very disappointed in his responses which we often found dismissive and complacent. In the face of significant concerns about the procurator fiscal service, it is not sufficient to say that “the notion that the system is cracking up has been advanced as an argument for the past 10 years at least” (OR, 16 May 2001, col 96). Given what is widely accepted – that it takes years to develop experienced deputies – pressures need to be addressed well before breaking point. Similarly, it is not sufficient for Ministers to say that they have never been provided with evidence on issues such as those raised by the District Courts Association (OR, 16 May 2001, col 96). On such serious matters, we suggest that Ministers should actively be looking for evidence that it is not so.

40. The Solicitor General’s dismissal of the evidence given by the Procurator Fiscals Society was particularly patronising. These are very senior members of staff, whose views are supported by outside bodies who gave evidence to us, and it is not good enough to characterise this as the Solicitor General did: “He is negotiating for his society: a posture of happiness might not immediately fit with his particular role” (OR, 16 May 2001, col 87). We note that it is not surprising the society is not happy, given that their views have not even been sought on whether the increase in staff will in fact relieve the pressures that all parties have identified. We cannot accept that it is enough to say, as the Solicitor General did, that “the people who make good fiscals are those who adapt to that kind of pressure” although we acknowledge that he did at least go on to say that “there are limits” (OR, 16 May 2001, col 91). We suggest that these limits may well have been reached.

## **Other issues**

### *Criminal Justice Social Work Services and Offender Services*

41. We note the substantial increases in funding under this heading, including funding to roll out of the Witness Service across Scotland; for Drug Treatment & Testing Orders; to increase diversions from prosecution to social work; and to increase referrals to Victim Support Scotland.

42. We were particularly interested to look at the position of Victim Support Scotland given the concerns expressed about their funding by the Justice and Home Affairs Committee last year.

43. The target proposed by VSS and accepted by the Executive for 2001/2 and 2002/3 is to increase the number of referrals to Victim Support from 45,000 in 1999/00 to 48,000. This is against the background of a *decrease* in the number of referrals last year primarily because of data protection issues inhibiting police

referrals to the service. One-off funding of £264,000 has been granted by the Scottish Executive to assist in promoting the service and increasing the number of self referrals (last year, 4,000 out of 39,000 referrals were self referrals). We doubt whether this alone will be sufficient to meet the target; priority must be given to resolving the data protection issue.

44. We note that Victim Support Scotland was not unduly concerned this year about its overall funding level but was concerned about the amount of time and effort which has to go into an annual funding settlement. As the Executive increasingly moves towards three year funding settlements for local authorities and other organisations, we consider it should do the same for bodies such as Victim Support Scotland so that the resources being diverted into financial planning – 5 or 6% a year on VSS's estimate - are minimised and planning can be carried out on a secure basis.

#### *Fire Central Government*

45. Fire services have not been looked at before by the Justice Committees or their predecessor committee so we were pleased to be able to begin looking at this service in the budget process.

46. The main source of funding for fire services is local authorities which we are advised spend at or around GAE. The Justice Department budget funds fire service training (through the Scottish Fire Service Training School and the Fire Service College) and community fire safety campaigns. We note that the budget for both elements has been increased significantly this year.

47. The Fire Brigades Union identified a number of issues for us, which we hope to pick up in more detail in future. These include the replacement cycle for fire vehicles, where HM fire service inspectorate have voiced a number of concerns, and the position of retained firefighters for whom equal treatment in terms and conditions is becoming a significant issue.

48. In relation to this year's budget, we wish to comment in particular on the costs of anticipated retirements. We note that projections from the fire chief officers anticipate retirement "bulges" in 2004/5 and 2005/6: from 146 recruitments (a proxy for retirements) in the current year to 264 and 400 respectively<sup>7</sup>. Given the stringent fitness requirement for firefighters, postponing retirements is unlikely to be an option so it is essential that proper funding is put in place for this. We note that the Executive has set the GAE fire service pensions element for 2001/02 at £25 million (compared to annual average expenditure for the latest three year period of £15.7 million). We seek reassurance that the increasing costs of retirements will continue to be addressed so that, in the absence of a funded pension scheme, money is not diverted from front line fire services.

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<sup>7</sup> Executive written evidence to meeting of 22 May 2001

*District and Sheriff Courts*

49. Our evidence from the District Courts Association was primarily about the procurator fiscal service but we noted a particular concern the association had about training. District Courts are managed by local authorities and funded from their budgets and no specific funds or objectives for them are identified in *The Scottish Budget* report. Local authorities are also responsible for the training of justices.

50. The association noted that it has produced training proposals which would lead to much greater uniformity of training for justices between areas and that they would give high priority to the funding of a central training co-ordinator to implement their plans. They also commented on the considerable training implications of the procedural aspects of the ECHR, noting that the Lord Chancellor's Department provided £10m of additional funding in England for ECHR compliance training but in Scotland the responsibility fell on existing local authority budgets (OR, 16 May 2001, col 69). **The Committees invite the Executive to consider whether central funding should be found for these two requirements.**

51. The written evidence from the Sheriff Court Users Group raised particular concerns about access to justice in civil cases. The Group point out that many court users in civil cases are not legally represented and that there is a lack of service and information to assist them in obtaining justice so that "the sheriff courts remain a daunting and remote arena". A striking example is that 78% of those in receipt of a court summons under the Debtors (Scotland) Act do nothing in response to the claim. The Group's suggested remedies include improved information leaflets along the lines of the Court Service in England and Wales, customer service officers in courts and the extension of the in-court advice project piloted in Edinburgh. **We recommend that the Executive gives consideration to the feasibility and potential costs of such initiatives.**

## Local Government Committee

### Budget Process 2002/03 - Submission to Finance Committee

1. The Local Government Committee considered the budget process at its meetings of 24 April, and 15, 22 and 29 May 2001.
2. The Committee agreed an approach for its investigations at the meeting of 24 April 2001, and addressed specific questions to witnesses in their letters of invitation to attend.
3. The Committee took evidence from COSLA, Dundee City Council, Falkirk Council, Perth and Kinross Council and Orkney Islands Council. This provided evidence from a range of experience across Scotland. The Committee also took evidence from Angus MacKay, the Minister for Finance and Local Government,. Invitations to CIPFA Directors of Finance Section, Dumfries and Galloway Council, and the STUC were not accepted.
4. The Committee maintained its approach of last year, in concentrating on the broad regulatory framework for local government finance, rather than the detailed provision for specific local services, which are a matter for the subject committees, or on priorities, which are a matter for local authorities themselves.
5. The Committee agreed its key objective would be to assess the implications of the Executive's expenditure provision on local services, staffing levels, and council tax levels. This approach drew on the evidence of witnesses, and supplementary briefing papers provided by the Adviser and SPICe.
6. In evidence, witnesses raised a number of significant structural issues regarding the local government finance system, including the balance of funding between central and local government, the gearing effect, and the nature of capital controls. These are issues the Committee is considering in its review of local government finance, and therefore it concentrated on the budgetary consequences of such matters rather than the underlying principles.
7. The Committee welcomes the progress made by the Minister in reforming grant distribution, introducing three-year settlements, and in increasing grant support and non-housing capital allocations. The Committee particularly welcomes the restoration of provision for general pay and price inflation, having previously expressed its reservations over the Executive's assumption that pay increases would be met from efficiency gains in recent years. The Committee notes the guarantee of above inflation increases in grant for all authorities but also notes that some witnesses expressed concern over the calculation of their individual shares of the increases.
8. There are however, a number of issues over which the Committee would wish to express its concerns to the Finance Committee for further consideration by the Executive. These are:

### *The Funding Gap*

9. COSLA reported the funding gap in current expenditure between the Executive's GAE provision and local budgetary provision as £440 millions, a gap which has been consistently increasing since 1997-8, and as this is wholly funded by council tax bills, accounts for over 20% of council tax revenues. This gap has arisen in part because of the fiscal squeeze of the late 1990s. The Committee is of the view that the Executive should have discussions with COSLA as to how this gap could be reduced.
10. COSLA also reported a shortfall between its own assessment of capital investment needs for non-housing capital expenditure of £2.8 billions over three years, and the Executive's provision of £1.6 billions over the same period. The Committee accepts there is always likely to be a gap between local government's aspirations and government funding, and also notes that a further £500m of capital investment is funded through PPP/PFI arrangements. However, the Minister for Finance and Local Government acknowledged in his evidence the need for significant further capital investment, and the Committee would welcome any additional capital funding provision which could be made through in-year allocations or other initiatives by the Treasury. All four councils regarded their allocations as inadequate and would welcome additional Section 94 approvals.

### *PPP/PFI*

11. All four councils expressed major reservations over the cost to the public purse of PPP/PFI schemes, and Dundee and Falkirk reported they had accepted such funding only in the absence of a conventional procurement option and Falkirk reported problems of access to schools outwith conventional school hours. Furthermore, Perth and Kinross and Orkney Islands Councils both expressed concerns that such schemes were not viable in rural Scotland, because of the unwillingness of the private sector to become involved. The Committee would ask the Finance Committee to consider these problems in its review of PPP/PFI.

### *The Mismatch Problem*

12. The Committee also heard from Dundee City Council of the difficulties it faced through what is known as the mismatch problem, which affected about six councils in Scotland who inherited budgets from their predecessor authorities significantly in excess of the GAE. Dundee has made recurring savings in its budget, yet remains in excess of GAE, and has the second highest council tax in Scotland. This is a structural problem, not a distribution problem. Dundee informed the Committee that its priority was to restrain its council tax levels, and the Committee is concerned that in these areas (Argyll and Bute; Dundee; Glasgow; Midlothian; Inverclyde and West Dumbartonshire), residents may find themselves paying the highest council taxes yet not sharing in the increased investment in services which the Executive is seeking. The Committee would urge the Minister for Finance and Local Government to address this issue as a matter of urgency.

### *The McCrone Recommendations*

13. The Committee welcomed the Minister's assurances that the cost of the McCrone Report on teachers' pay would be met in full by the Executive. However, it remains concerned that individual councils could face shortfalls because of the approach adopted to distributing the additional resources. This is an important matter for the development and improvement of Scottish education, and the Committee would see the need for further scrutiny at local level, and ask the Finance Committee to draw its concerns to the Executive.

### *Secure and Residential Care for Children*

14. The Working Party on Local Government Finance last year agreed to a proposal to merge the GAE assessments for secure and residential care for children. In evidence, councils drew attention to the volatility in costs that they face as a result of referrals by Children's Panels over which they have no control and must fund. In the case of Orkney, a single referral can distort budget plans, whilst in Dundee the growth in referrals is proving difficult to fund. Roddy McArthur, Director of Finance, Perth and Kinross Council, said in evidence—

'Last year, we identified an overspend of close on £500,000 early in our monitoring of expenditure, which related solely to children being placed in residential care. It is not an issue that we have much direction over because, as members will be aware, if the children's panel says that a young person has to go into residential care, they must do so.'<sup>1</sup>

The Committee expressed concern at the volatility that can arise for specific councils through this approach to GAE and asks the Minister to monitor the situation closely.

### *Budgetary Flexibility*

15. All local government witnesses expressed concerns on the problems they face through the gearing effect, ringfencing and Section 94 controls. In general, the Committee would welcome further consideration by the Minister of the scope within the current system for greater budgetary flexibility to be achieved. The present trend to increase the share of funding by council tax remains a source of concern to the Committee.

### *The Gender Impact*

16. The funding arrangements for local government are in the form of specific grants, block grants and block capital allocations. These do not easily lend themselves to analysis of gender effects. However, it may well be that there are services in which gender differences result in cost differentials, as in health. In the formula used to allocate resources to health boards, a sex weighting is used to reflect the above average costs of treating women in the NHS. The Committee

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<sup>1</sup> Local Government Committee **Official Report** col 1972



would welcome this issue being given consideration in the review of grant distribution, to ensure local councils are not being disadvantaged by the absence of a weighting for differences in gender balance, and to assist them to meet different gender needs.

### *The Departmental Report*

17. The Finance Committee's guidance to the Committee invites comment on the structure and content of the report. Firstly, the Committee welcomes the provision by the Executive of spending plans in real terms, although it recognises that local government cost increases often exceed the projections using GDP deflators, because of the Relative Price Effect. Nevertheless, the real terms figures clarify the trend in spending.
18. The Committee is somewhat disappointed in the content of the reports. The Department's aims and objectives are very general, and in fact differ between *Making a Difference* and *Investing in You* and between the two issues of *Investing in You*. Last year, the overall aim was 'the provision of a sound regulatory framework for local government', but this year, it is changed to ensure 'that the highest quality services are delivered, and to work together to modernise local government'. What is meant by 'modernise' is not spelt out. This generality is also found in the setting of targets, some of which are quantified, but most of which refer to processes rather than outputs. The targets for AEF are:

provide local authorities with a stable and flexible framework for delivering a three year revenue budget;

lay the Local Government Finance (Scotland) Order before the Scottish Parliament for its approval each year in time to allow local authorities to set their budgets and council tax levels for the following year;

pay Revenue Support Grant on time and accurately throughout the year.

For capital, the target is to provide local authorities with the framework for delivering a 3 year capital budget. These are simply functional requirements, not policy objectives.

19. The Committee takes the view that a more robust approach to target setting is needed to ensure adequate scrutiny and accountability for nearly £7 billions of public funds. The Executive's commitment to emphasise outcomes requires this. The Committee would like to see the Executive quantifying its targets *viz*:

Identifying the *volume* of service expansion it assumes the growth in funds will bring for Scotland as a whole;

Assessing the *implications of the settlement for council tax* in Scotland as a whole;

Identifying the expected *outputs and outcomes* of the capital programme in terms of new build and maintenance.

20. The Committee accepts and supports the underlying principles of block funding which leave priorities with local authorities. Nevertheless, the system should be capable of delivering agreed joint objectives and allowing local discretion. A more robust approach is needed.
21. Finally, on a minor point, there were discrepancies in the figures in the Annual Expenditure Report, between the summary box and the tables. Accuracy is vital if the Committee is to fulfil its scrutiny role properly, and would welcome assurances that this will not occur in future.

### *Conclusions*

22. The Committee's objectives in this year's consultation were to assess the implications for services, staffing and council tax levels of the finance settlement. The Committee was struck by the difference in perception between the Minister and local authority representatives over the impact of increased funding on the ground, because of shortfalls in previous years. The Committee expects to see modest increases in services and staffing, but greater increases in council tax levels. This must remain a concern. The Committee welcomes the positive response by the Executive to the concerns raised over the year, and hopes for continuing progress in:

narrowing the funding gap in revenue spending

increasing further the growth in capital spending

reviewing the effectiveness of PPP/PFI funding in comparison with conventional and other methods of capital funding

tackling the mismatch problem

meeting the costs of McCrone

considering the volatility in GAE allocations for secure care

increasing budgetary flexibility for local government

examining the gender effect on local authority funding

developing a more systematic and robust approach to objectives and targets in the Annual Expenditure Report.

## Rural Development Committee

### Report to the Finance Committee on the stage one of the 2002-03 budget process

1. Subject Committees are asked to consider and report by the end of May on the future spending priorities of relevant departments of the Scottish Executive, based on the annual expenditure report which was published at the beginning of April, 2001.
2. This year, the Rural Development Committee consulted local authorities and other key organisations on 2 aspects of the budget—
  - Broadly, the impact that the Scottish Executive is having on the economy, environment and lifestyle in rural areas, and whether their spending priorities are appropriate; and
  - more specifically, whether appropriate emphasis is being given to agricultural and biological science services.

The level of response was restricted both by the short time available for consultation and because many of those involved were pre-occupied with the outbreak of foot and mouth disease.

3. Comments which the Committee did receive, however, from local authorities referred to the difficulty of relating the spending priorities to the strategic direction set out in the Executive Document: "Rural Scotland: a new approach". Some questioned the overall size of the Rural Affairs budget in the context of the impact of foot and mouth disease, with specific concern about the proportion of direct support to farmers. Others felt that there should be more emphasis on rural development, citing in particular the Rural Development Fund. These are matters which form part of a wider debate on the future of agricultural support and rural development. Whilst the increase of 6% p.a. on scientific spending over the next 3 years was welcomed in view of the importance of this area of work, the committee was reminded of the need to maintain local animal health and veterinary services in remote areas.
4. The Committee noted that the Executive did not consult specifically on the Rural Affairs budget as a whole, but accepts that their consultations on the question of modulation of the Common Agricultural Policy (CAP) will have provided some public input to a critical part of the budget.
5. Last year, the Committee criticised the clarity of the budget documents. The presentation this year has been clearer, although the content and underlying mechanisms of Rural Affairs expenditure remains extremely complex.

6. In last year's report on the 2001-02 budget, the Rural Affairs Committee described the Scottish Executive Rural Affairs Department's primary aims as "non-specific". Their aim remains the same this year: *"To help the people of Scotland to secure a life of quality and prosperity through sensitive stewardship and sustainable development of the natural resources of Scotland"*. In last year's report the Committee expressed concern that it was not possible to examine the impact that the Executive's policies were having in rural areas from scrutiny of the department's spending plans. The Minister replied to say that he agreed that it is the impact of spending which is the crucial indicator of success, rather than the figures alone. He indicated, in September 2000, that preliminary work was in hand to assess the impact which expenditure across the Executive's policies and programmes has on Rural Areas. However, by the end of October 2000 he explained that it was too expensive to provide the basic data upon which such an examination might take place. The Committee remains concerned that it is not in a position to be able to judge the overall effectiveness of Executive spending in rural areas.
  
7. The Minister was asked specifically how equality issues were incorporated into the rural affairs spending plans, especially as the department has no budgetary control over cross-cutting rural policies for which the Minister has responsibility. He explained<sup>1</sup> that equality was a shared objective of the Executive as a whole and that the key element of the department's role was to ensure that all such policies are implemented in a way which takes account of the different circumstances that obtain in rural areas. The Committee remains concerned, however, that it is not possible to monitor the implementation of equality policies in rural areas for the lack of suitable information.
  
8. In our last stage 2 report to the Finance Committee, in November 2000, we commented upon the declining share of total executive expenditure that was planned to be spent on Rural Affairs over the next 3 years. Similar concerns were also raised in our consultation on the current report and these concerns were put to the Minister in discussion on 8 May 2001. He explained that his Department had won considerable resources from reserves, and that end year underspending and flexibilities were being used to provide £27 million support for the fisheries industry and to provide immediate support for people and businesses affected by foot and mouth disease. When pressed<sup>2</sup>, the Minister did not agree that foot and mouth disease justified him renegotiating the Rural Affairs budget, although he did agree<sup>3</sup> that there was a case for revisiting the priorities for the use of modulated funds as a result of the outbreak.

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<sup>1</sup> Official Report, 8 May 2001, column 1982

<sup>2</sup> Official Report, 8 May 2001, column 1981

<sup>3</sup> Official Report, 8 May 2001, column 1984

9. The Committee accepts that the total impact of Executive policy on rural areas cannot be measured through the Rural Affairs Department budget alone and notes the difficulty in measuring all Executive spending that relates to rural areas. But we are still concerned at the apparent decline in the share of total Scottish Executive spending being devoted to Rural Affairs over the last 4 years, in the face of the continuing threats to the sustainability of remote communities. The share of spending on Rural Affairs appears to rise in the current year but will continue to decline in 2002-03 and 2003-04, even without the effect of CAP expenditure.

<b>Data taken from Table 0.2 to show total budget for Scotland in real terms (in prices for 1999-2000), with CAP sums taken from table 12.6</b>				
<b>£m</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Rural Affairs Budget	578	599	589	576
Forestry Budget	77	79	79	77
Amount of CAP market support included above <sup>(1)</sup>	351	332	315	303
<b>Rural Affairs &amp; Forestry budget, excluding CAP market support<sup>(2)</sup></b>	<b>304</b>	<b>346</b>	<b>353</b>	<b>350</b>
Total Scottish Budget in real terms	17,687	19,005	19,665	20,242
<b>Total Scottish Budget in real terms, excluding CAP market support</b>	<b>17,383</b>	<b>18,659</b>	<b>19,312</b>	<b>19,892</b>
Rural Affairs & Forestry budget excluding CAP, as a percentage of total non CAP Scottish spending	<b>1.7%</b>	<b>1.9%</b>	<b>1.8%</b>	<b>1.8%</b>
Growth of total non CAP spending, year on year		<b>7.3%</b>	<b>3.5%</b>	<b>3.0%</b>
Growth of Rural Affairs non CAP spending, year on year		<b>12.1%</b>	<b>2.0%</b>	<b>-0.9%</b>

**Notes:**

- (1) Sums withheld from these payments by modulation are estimated at £7m in 2001-02, £11m in 2002-03 and £13m in 2003-04
- (2): This total includes items partly funded (co-financed) by the EU, either directly or by use of sums modulated from CAP market support payments. These measures are included in the budget under the Rural Development budget heading, and in co-financing the Woodland Grant Scheme, under the Forestry Commission (excluding Forest Enterprise) budget heading.

10. The Committee took oral evidence on scientific spending from a former chairman of CHABOS (the Committee of the Heads of Agricultural and Biological Organisations of Scotland). Professor Peaker commented on the question of whether adequate funds were being devoted to science by referring to the fall in core funding which, in real terms, has dropped by 25% in the last 10 years compared with the retail price index. He drew a comparison with the increases in

science spending generally in the UK and felt that Scotland's research capability required investment if it is to maintain its position. The Committee also heard both Professor Peaker and the Minister speak of the difficulties in balancing the needs of pure research against work on matters of more immediate public concern. The Committee considers that it is too early to judge whether the present increase of 6% over 3 years will be sufficient to redress a long period of cuts but it is a step in the right direction. The Committee intends to return to the question of the role of science in support of agriculture and fisheries outwith the context of the budget.

## **SOCIAL JUSTICE COMMITTEE**

### **2002/03 Budget: Stage 1**

#### **General**

1. The Committee notes the Executive's key policy priorities for the social justice budget and welcomes the increased spending plans for housing, social inclusion initiatives, fuel poverty, and the voluntary sector and equalities programmes. The Committee was reassured by the commitments given by the Minister for Social Justice, Jackie Baillie, and Deputy Minister for Social Justice, Margaret Curran, that more detailed figures would be provided in the Autumn at level 2, but remained concerned that the broad spending proposals were not sufficiently detailed in all instances for an informed judgement to be made regarding, for example, whether targets were realistic and achievable.

#### **Consultation**

2. The Committee welcomes the commitment of the Executive to effective consultation. The Minister stressed that consultation was integral to the setting of priorities and began at the policy development stage. This was exemplified by the processes used by the Homelessness Task Force and the Scottish Social Inclusion Network, where views and expertise external to the Scottish Executive were utilised and helped identify how monies should be allocated. In addition, the views of the Committee itself had been taken on board in terms of disaggregating the budget to more detailed levels and providing information in real and cash terms.

#### **Gender impact**

3. Members shared the Minister's view that the equality proofing of the Executive's budget was a complex, long term process and were encouraged by the publication of the Equality Strategy, and the establishment of the Equality Proofing Advisory Group.
4. However, concerns were expressed that there was not yet any obligation for all departments to mainstream equalities in their work and the need to set in place appropriate data collection mechanisms to ensure that disaggregated data is embedded into the policy making process on a department by department basis was re-emphasised.

#### **Departmental performance**

5. Members agreed that the department is to be congratulated on securing additional funding for Social Justice programmes.
6. The AER sets out targets and achievements, but there is no time frame or clear indication of the impact of past achievements on current objectives. For example, the Report states that "we are on course to deliver the improvement of

35,000 houses suffering from damp and condensation”, but there is no detail of how many of these have already (by end 2000/01) been improved, or how many are to be tackled this year.

7. The Committee felt that the AER did not specify where additional funds made available under the Comprehensive Spending Review have been allocated, but accepted the Minister’s reassurances that the Review represented a fundamental examination of the Executive’s spending plans and that the areas where the additional funds had been allocated corresponded with the department’s priorities (homelessness, central heating initiative, voluntary sector, community empowerment, etc.)
8. Members referred to the previous AER which identified 21 targets directly linked to the Social Justice Budget and were not convinced that the Minister’s view that progress towards achieving the targets was adequate: for example, the figures set out in the Social Justice Annual Report were not sufficiently detailed, nor was there sufficient narrative, for members to form a view on how they were moving forward. Similarly, it was not felt that the monitoring mechanisms, such as the objectives and targets in the AER and Programme for Government reporting frameworks, provided adequate systems for measuring performance.

### **Funding Allocations**

9. The Committee was content with the Minister’s reassurances that, should additional expenditure become available, either during 2001/02 or for 2002/03, this would be allocated to existing areas, which were viewed as the appropriate priorities.

### **Implications of implementation of the Housing (Scotland) Bill**

10. Members recognised that the implications of funding post-implementation of the Housing (Scotland) Bill in areas such as allocations to local authorities for Scottish Secure Tenancies, or the geographical variations arising from local authorities which were or were not responsible for Development Funding, were difficult to quantify at this stage. The Minister indicated that dialogue was ongoing with local authorities and aspects such as the strategic functions would be taken into account in the overall allocations for local authorities. The Committee would await further information in these areas and would continue to monitor the financial implications as an integral part of its post-enactment scrutiny process.

### **Anti-social behaviour**

11. The Minister indicated that funding targeted at anti-social behaviour was included in the Sociable Neighbourhood Initiative, through which a co-ordinator had been appointed to assist local authorities in initiatives such as the development of best practice, as well as being reflected in local authorities’ general allocations. The Committee was of the view that a more substantial allocation required to be directed towards this area.



## **Analysis of Budget Areas**

### **Community Ownership**

12. The Minister confirmed that the New Housing Partnership objectives of delivering 1 in 4 houses to be transferred to community ownership by 2003 was on course. The process in Dumfries and Galloway, the Scottish Borders, Shetland, and Glasgow was still progressing. In these areas there was a clear indication of the timetable for stock transfer and, because of this, it was not expected that there would be any slippage. 24 other councils had been provided with funding to consider options for the future of housing in their areas. Any slippage (as opposed to underspend) would be redistributed within the Social Justice Budget.
13. The Minister gave a commitment to ascertain whether there was any means of quantifying amounts within authorities' business plans to deal with the servicing of debt.
14. On stock transfer and its impact on the HRA, while members agree that it is difficult to predict a definite figure for future debt servicing costs, they were still of the view that it could well vary much more dramatically than was outlined by the Executive due to the impact of factors such as the outcome of ballots and varying interest rates.

### **Scottish Homes and other housing**

15. The new Executive Agency is planned to be in existence from November 2001 and members questioned that the 2001/02 plans do not contain an additional cost to cover the administrative changes involved. The Ministers indicated that there would be close monitoring of the transitional costs, although it was not expected that the running costs of the Agency would increase – some functions would be lost, for example, the transfer of Development Funding to local authorities, although this is not automatic and is subject to the approval of Ministers. It was premature to give a view as to how this would result in budgetary terms. The Committee would expect the provision of more detail in this area in due course.

### **Fuel Poverty**

16. Members welcomed the Executive's commitment to eradicate fuel poverty in Scotland within a maximum of 15 years included in the Housing (Scotland) Bill, but there was concern over the Minister's response that the funding implications of the proposals could not be quantified. The Committee would monitor closely the outcome of the Minister's discussions with experts in the field.
17. The Minister reassured the Committee that the £350m required for the Central Heating Initiative would be delivered. Again, there was concern regarding how the Initiative would be funded in years 4 and 5. No detail could be provided as to the financial commitment from energy companies, and details of the amount of private finance required to be levered in to fund the installation of central heating in stock transfer houses has yet to be calculated. Members are keen to receive further detail of how these additional resources will be met and what amounts are involved.

## **Homelessness**

18. The additional £12m set aside over 3 years to contribute to the re-provisioning of hostels in Glasgow was welcomed.
19. On the additional burdens which will fall on local authorities through the requirement to draft and implement a Homelessness Strategy and secure advice and information for those threatened with homelessness, a reassurance had already been given that these would be discussed with local authorities.
20. The Minister also indicated that the resource implications of the Mortgage Rights (Scotland) Bill had been taken into account, as set out in the Financial Memorandum accompanying the Bill

## **Social Inclusion**

21. Members were supportive of the move from capital and revenue funding for Social Inclusion Partnerships (SIPs) to a single general budget, if the aim is to increase their flexibility to respond to the specific needs of their areas.
22. Neighbourhood budget statistics would be used to assist in ensuring that additional funds were targeted at the appropriate areas and to monitor how the resources were used. The Committee welcomed this initiative, as well as the move to strengthen the skills of the members of SIPs, particularly if this included the training of community representatives. However, the Committee emphasised the need for more detail on the disaggregation of the Empowering Communities Budget.
23. The Minister has recently announced 61 community partnerships set up to foster regeneration will each receive an extra £60,000. It was confirmed that this money was already anticipated in the budget under the Empowering Communities heading. The Committee cites this as an example of how difficult it is for them to determine whether the figures in the AER are adequate to reflect their priorities.
24. The Committee remains unconvinced that there are adequate mechanisms in place to ensure the accountability of SIPs and urges the Executive to re-visit SIPs scrutiny procedures to ensure that their increased expenditure is accounted for.

## **Voluntary Sector**

25. Regarding the implications of the review of Scottish Executive funding to the voluntary sector, the Deputy Minister advised that the review was not restricted to grant funding but also involved the Active Communities' budget, and aimed to assist the sector's infrastructure through initiatives such as developing information technology.
26. While no firm commitment could be given at this stage to three year rather than one year funding, this was not ruled out by the Ministers. Members were of the

view that this was a key objective which required to be taken on board to assist the voluntary sector's longer term planning.



**Transport and the Environment Committee  
Report On The Scottish Budget 2002/2003: Stage 1**



## **TRANSPORT AND THE ENVIRONMENT COMMITTEE**

### **REMIT AND MEMBERSHIP**

#### **REMIT OF THE COMMITTEE:**

The remit of the Transport and the Environment Committee is to consider and report on matters relating to transport which fall within the responsibility of the Minister for Transport; and matters relating to environment and natural heritage which fall within the responsibility of the Minister for Environment, Sport and Culture.

This remit is likely to change following recent alterations to Ministerial portfolios.

#### **MEMBERSHIP:**

Andy Kerr (Convener)  
John Munro (Deputy Convener)  
Bruce Crawford  
Robin Harper  
Maureen Macmillan  
Fiona McLeod  
Des McNulty  
Bristow Muldoon  
Murray Tosh

#### **Committee Clerks:**

Shelagh McKinlay  
Tracey Hawe  
Alastair Macfie  
Neil Stewart

## **TRANSPORT AND THE ENVIRONMENT COMMITTEE**

### **REPORT ON THE SCOTTISH BUDGET 2002/2003: STAGE 1**

The Transport and the Environment Committee reports to the Finance Committee as follows—

#### **INTRODUCTION**

1. The Transport and the Environment Committee considered how it wished to examine the Scottish Executive's expenditure plans for 2002-03 on 28 February 2001. At that meeting, the Committee agreed that it would take a strategic overview of the Executive's expenditure plans for 2002-2003, while taking a special interest in two particular areas of spending: renewable energy and Highlands and Islands Airports Limited (HIAL).
2. The Committee subsequently agreed to appoint two advisers for its consideration of the Scottish Executive's expenditure plans: Dr Dominic Moran of the Scottish Agricultural College on environmental and renewable energy matters, and Professor Austin Smyth of the Transport Research Institute on transport matters and HIAL.
3. On 2 May 2001, the Committee met and took oral evidence on the issue of renewable energy from the British Wind Energy Association, the Scottish Energy Environment Foundation, the Scottish Renewables Forum, and Wavegen. The Committee also took oral evidence at that meeting from Highlands and Islands Enterprise and the Highlands and Islands Strategic Transport Partnership on the subject of HIAL. The Committee subsequently took oral evidence from HIAL itself at a meeting on 9 May 2001.
4. The Committee took oral evidence from the Minister for Environment and Rural Development and the Minister for Transport and Planning at its meeting on 9 May 2001.
5. The Committee is grateful to the individuals and organisations who provided oral and written evidence to the Committee. The recommendations contained in this report to the Finance Committee are made on the basis of this evidence.

#### **OVERVIEW OF THE TRANSPORT BUDGET**

##### *Relative Priorities And Balance Of Spending Under Budget Heads*

6. The Committee considers that the Scottish Executive document "Making it Work Together" does not adequately address the question of how the Executive arrived at the particular priorities it has identified. The Committee also raised this as a concern in its report as part of last year's Budget Process.

7. In addition, the Committee notes that there is a trend of increasing non-roads and roads expenditure. The Committee notes that the figures appear to indicate a shift in the balance of expenditure towards roads expenditure. However, the Committee further notes that capital charges account for a significant element of the increased roads expenditure. The Committee would welcome clarification on the extent to which this increase in capital charges merely reflects a change in accounting convention as a result of the shift to Resource Based Budgeting, as opposed to actual increased spending. The Committee considers that the budget report does not offer a sufficient commentary on the trends in the spending figures over time needed to give the Committee and others a better understanding of the shifts in the overall balance of transport spending.
8. The Committee notes the Minister's argument that road spending need not be incompatible with promoting public transport (Col 1810). The Committee does not disagree, but considers that further information as to what extent and in what ways the road spending in the Scottish Budget will promote public transport is required.
9. **The Committee considers that a clear correlation should be demonstrable in the Scottish Executive's budget documentation between the stated aims of the Executive and the allocation of spending.**

#### *Historical Spend Versus Current Needs*

10. The Committee is also of the view that more detail, including historical data, should be provided in the main funding areas such as road investment and the single allocation to local authorities. The Committee recognises that this is an issue which the Scottish Executive will want to consider in conjunction with CoSLA, in particular in the context of the on-going discussions as to the way in which local authority allocations are made and presented. The Committee also welcomes the remarks made by the Scottish Executive in evidence to the Committee, indicating the Executive's willingness to look further at this issue (Col 1821).
11. **The Committee continues to believe that the approach to the allocation of funding should be clearly based on assessments of current need rather than historical spend.**

#### *Long Term Transport Plan For Scotland*

12. In evidence to the Committee, the Minister indicated that she intended to bring forward proposals in the Autumn for a longer term transport plan for Scotland (Col 1813). The Committee considers that pursuit of cost effectiveness based on a systematic assessment of needs and priorities would be best served by such a longer term transport plan. Such a plan could, for example, indicate how the spending for projects like the M74 will be met. The Committee wonders whether it will be additional to the usual spending on transport projects, or whether funding for such projects will be reduced to meet the M74 expenditure.

13. **The Committee recommends that a document setting out a longer term transport plan for Scotland should be in place by mid 2002.**

*Economic Growth and Implications for Transport Investment*

14. The Committee notes that to a considerable extent the Budget proposals are influenced by the UK Government's last comprehensive spending review which was also central to the DETR 10 year Plan Transport 2010. This raises a fundamental question as to how far the proposed allocations are dependent upon a continuing growth in the economy and how they might be affected by any national economic slow down or recession. **The Committee would welcome clarification on this issue.**
15. Moreover, given that some figures for large road projects (such as the M74 and the Kincardine Bridge) do not seem to appear in the budget figures, the Committee wishes to know what is the scope for Ministers to set out their forward plans beyond the timescale of the budget document and to indicate how such projects will be funded.
16. On a related matter of the projects identified and which have yet to be fully worked up and appraised, the Committee wishes clarification on the extent to which variance under budget heads can be achieved. Inevitably this also raises once again the issues referred to in the Committee's last report in relation to End Year Flexibility (EYF) and income generation and additionality. Nothing emerged from the evidence-taking to shed new light on these issues.
17. **The Committee continues to be of the view that future expenditure proposals should include a statement on the principles governing the use of EYF, including the limits, if any, placed on the level of funds which can be carried over and the total level of EYF for departments and the Executive as a whole.**

*Private Finance And Implications For Transport Investment*

18. The Committee notes that, nationally, funding for transport is increasingly predicated on securing private finance in some cases to provide matching funding. This raises questions concerning the extent to which the budget proposals rely upon obtaining private sector funding to secure the public funds indicated. No evidence was taken by the Committee to enable the Committee to take a view on this important issue for the robustness of the Executive's budget plans. **The Committee would welcome further information on this issue from the Scottish Executive.**

*Division Of Responsibilities*

19. The Committee notes that where the responsibility for service delivery and funding lies is an important factor in considering the aims and objectives set in different policy areas. The Committee has an interest not only in aims and objectives but how they are delivered. The last report of the Committee called for more information on the distribution of responsibilities between the Executive and its agencies, and local authorities and where responsibility for delivery of services and funding lies.



20. This has not been addressed to the Committee's satisfaction in "Making it Work Together" or during the current budget review process. **The Committee continues to believe that this information would be a useful addition to the budget documentation.**
21. A continuing focus of concern for the Committee remains the distribution of responsibilities in relation to the trunk road and non trunk road network, and road maintenance backlog. Further information on the balance of expenditure between trunk and non-trunk roads by the Executive and local authorities respectively would inform the Committee whether the burden falling on local authorities in this respect is unduly heavy. Moreover, the Committee remains concerned that under the current system there is no single effective mechanism for assessing development needs and consequently spending priorities across both the trunk and non-trunk road network.

#### *Monitoring And Performance*

22. In pursuit of a cost effective prioritisation of measures, the Committee in its last report recommended future publications should include information on the evaluation and audit of the aims, objectives and performance against targets. The Committee regrets that little progress appears to have been made in this area.
23. The Committee is keen to distinguish between "end goals" and "intermediate objectives", the former reflecting the impacts sought from public investment in terms of realising the Executive's wider social, economic and environmental goals, while the latter would focus on delivery of the facilities/services intended to enable those ultimate goals to be realised. The Committee feels that the Executive could usefully make such a distinction.
24. The Committee notes that in its last report it called for consideration to be given to establishing independent evaluation and performance measurement, allied to systematic and comparable value for money indicators, to facilitate comparisons between elements of programmes. However, again the Minister had little progress to report on this matter in her meeting with Committee.
25. **The Committee remains convinced of the importance of progressing on both these matters to enable the Committee to discharge its responsibilities as part of the annual Budget review process and thereby promote value for money from any expenditure plans implemented by the Executive.**

#### **HIGHLANDS AND ISLANDS AIRPORTS LTD AND THE SCOTTISH BUDGET**

26. The Committee acknowledges that air services in Scotland play a unique role in UK terms in relation to linking the Scottish Mainland and Islands. The Committee notes that the Scottish Executive envisages an increasing burden being placed on the taxpayer in support of air services in the region. The lifeline air service subsidy is projected to rise by up to 100 per cent. In evidence to the Committee, HIAL indicated that "on the issue of traffic

decreasing, I believe that we are seeing the start of an upswing” (Col. 1782). This issue is addressed further in paragraph 32.

27. The evidence-taking undertaken by the Committee on HIAL alluded to certain specific issues, which the Committee considers will be important to the future of air services in the Highlands and Islands, including—
  - the importance of air travel in the Highlands and Islands
  - the reasons for HIAL's current performance trends
  - how to improve HIAL's cost effectiveness
  - strategies for promoting HIAL
  - the scope for different financial models for HIAL airports
  - the percentage of airlines' costs made up of HIAL charges and the extent to which airlines operational decisions are dictated by HIAL charges and facilities, or outside factors
  - whether decreasing airline fares would have a significant impact on passenger numbers and the related matter of suppressed demand
  - the potential role for and impacts of formal public service obligations arrangements and/or franchising air services
  - the extent to which HIAL can act alone in promoting Highlands and Islands air travel
  - the question of Gatwick slots
  - the problem of shortages in air traffic controllers
  - ensuring safety regulations are applicable and appropriate to the particular conditions at HIAL airports
28. The Committee wishes to highlight in particular the importance to the Highlands and Islands region of HIAL maintaining its current landing slots at Gatwick airport. The Committee notes that the Scottish Executive is making representation at a UK level on an on-going basis with a view to preserving these slots. **The Committee recommends that the Executive should continue to pursue this issue with the UK government and other relevant bodies as a matter of importance.**
29. The Committee also wishes to highlight the issue of franchising air services. The Committee considers that there should be further investigation of the possible benefits of such a franchising arrangement. **The Committee recommends that the Scottish Executive should implement an appropriate mechanism for studying the potential benefits of franchising HIAL air services.** Such an analysis should also take into account the issue of formal public service obligations.
30. The Committee took evidence on the potential benefits which might be derived from changing HIAL's operational arrangements, such as changes to the way that HIAL's infrastructure is managed. **The Committee invites HIAL to undertake further research in order to substantiate its views on the potentially beneficial effects of changes to HIAL's working practices, such as altering airports' opening hours and reviewing CAA regulations with a view to ensuring they are applicable and appropriate to the**

**particular conditions at HIAL airports.** The Committee notes, in passing, the possibility of “multi-skilling” of HIAL employees in order to improve efficiency. **The Committee considers, however, that the maintenance of the highest safety standards should always be a priority for HIAL.**

31. **The Committee further recommends that HIAL should produce a longer term corporate plan to be submitted to the Executive, and the Executive should demonstrate that they are setting appropriate performance indicators to monitor HIAL.**
32. The Committee supports the maintenance of an appropriate range of travel options for users in the Highlands and Islands area. The Committee considers that the ways in which different travel modes are utilised in the Highlands and Islands should be kept under review, with the aim of ensuring that transport provision continues to address the needs of the region, while also taking into account issues of cost effectiveness and value for money. For instance, road improvements, improved ferry services or bridges and causeways could have a role to play in some cases as part of a wider integrated multi modal package.

#### *Ferry Services*

33. In relation to the ferry services currently operated by Calmac, the Committee notes that provision has not been made in the budget for future vessel acquisition following implementation of EU regulations relating to such services.

#### *Rail*

34. The Committee notes that, under the UK Transport Act 2000, Scottish Ministers have assumed powers to fund the ScotRail franchise from 2001-2002. The Committee also notes the projected reduction in franchise payments over time. The implications for the future of the Scotrail franchise and in particular its funding provisions under *post Hatfield* conditions in comparison to arrangements prior to April 2001 has emerged as an area of uncertainty and thus concern to the Committee.
35. The Committee is uncertain as to whether rail spending in the budget is sufficient to meet anticipated future development of the rail network - the Committee acknowledges that changes to the rail spend reflect Minister's declining Scotrail franchise payments, but the Committee wonders if sufficient funds exist for long term investment. The Committee therefore requests reassurance on the proportion of UK rail expenditure transferred to the Strategic Rail Authority (SRA) intended to benefit Scotland. This should be monitored to ensure that needs are being met. The Committee is also of the view that a long term transport plan might help the chances of bids emanating from Scotland, when bidding for money from the SRA rail budget.

## OVERVIEW OF THE ENVIRONMENT BUDGET

### *Scope Of The Committee's Comments*

36. The Committee's comments on the environment budget attempt to address the current budgetary provisions, including potential changes and the need for specific performance targets and indicators. The Committee notes the wide-ranging nature of the environmental portfolio.
37. The Committee notes that, in general, the areas and objectives covered are contributing to the furtherance of sustainable development in Scotland. Furthermore, the budget provisions appear to the Committee to be realistic, although more attention needs to be given to criteria used to allocate the budget over competing environmental uses. This issue is addressed in more detail at paragraphs 47 and 48.

### *Impact Of Foot And Mouth Disease*

38. The Committee notes that the foot and mouth epidemic has had an undoubted economic impact in and beyond the countryside. Given the overlap in government environmental spending (for example, spending on agriculture-related payments by Scottish Natural Heritage), the Committee is of the view that the potential impact on the current budgetary position needs to be spelt out. The Committee acknowledges that the extent of any budgetary alteration is as yet unclear but may be informed by an on-going economic impact assessment being undertaken by the Scottish Executive Rural Affairs Department (SERAD).
39. **The Committee recommends that as and when the implications of this study become clear these implications should be spelt out by SERAD.** At present, the impact of the Foot and Mouth outbreak appears to the Committee to be the only likely alteration to the current budget figures. The Committee also believes that clarification of the compensation arrangements at UK level is also necessary.

### *SEPA's Budget And Revenue Raising*

40. The Committee examined SEPA's budget and in particular SEPA's revenue raising activities. The Committee is of the view that the scope of SEPA's ability to revenue raise from charges could usefully be clarified. The Committee notes that charging and other economic instruments can both serve environmental goals and raise revenue.
41. The Committee suggests that SEPA appears to function under a rather limited definition of cost-recovery for its operations. While this is consistent with a proactive application of the polluter pays principle, the Committee feels that there may well be further scope for 'win-win' opportunities that use instruments to raise revenue and internalise environmental costs simultaneously.
42. However, the Committee wishes to emphasise that the revenue raising function of SEPA should not take precedence. The Committee also wishes to repeat comments it made in its last budget report, which indicated that the

Committee would be opposed to any assumption that, in general terms, central funding should automatically reduce as a consequence of income generation.

43. The Committee would welcome further information about the potential profile of SEPA's revenue raising. **The Committee requests that such a note is provided to the Committee.** In making this request, the Committee notes that this may require some forecast of which instruments are available (even if currently unused) and how new or alternative charges will be scheduled in.

#### *Economic Efficiency*

44. The Committee notes that the criteria of economic efficiency (i.e. prioritising policies where benefits outweigh costs) or cost-effectiveness (how to achieve an environmental objective using the least cost method), are seen as a rudimentary screening tests for allocating scarce budgetary resources. These are the technical tests of value for money in public spending. The budget contains several provisions that may warrant this form of screening.
45. The Committee is of the view, for example, that the objective to connect 89% of the population to secondary sewage treatment will benefit from a cost-benefit test. A further question relates to the need to invest to avoid any infringement of EU directives. The Committee notes that in improving standards beyond the levels set out in EU Directives, at a certain point, improving standards will entail excessive costs, which are not offset by the benefits. Again, the precise level may be informed by a cost-benefit test. The Committee wishes to emphasise that such cost-benefit tests should always take into account the need to maintain high environmental standards.
46. **The Committee recommends that the Scottish Executive provides the Committee with further information on the extent to which it currently uses cost-benefit tests, and the extent to which it plans to use them in the future. The Committee considers that generally the rationale for a specified target should be clarified in the budget documentation.**

#### *Targets And Indicators*

47. The Committee is of the view that indicator selection and target setting should be consistent with the objective of setting policies that provide value for money. The Committee feels that several areas or budgetary objectives lacked clarity in setting out how allocations are made and associated performance monitoring targets and indicators. Areas requiring clarification, in the view of the Committee, include water quality, individual water company performance targets<sup>1</sup>, conservation targets (and the criteria used for selecting species or areas for conservation attention) and local authority use of funds for flood prevention.
48. In all these cases the Committee notes that the budget provides little indication of the criteria used to prioritise spending for greatest value for

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<sup>1</sup> The Committee notes that the provision for a single Authority will in future obviate the ability to make cross-company comparisons.

money. The Committee is of the view that these cases should not necessarily be exempt from the use of an economic efficiency criterion. The Committee notes that the use of an economic efficiency criterion must be supplemented with methods that allow the consideration of other social costs and benefits.

#### *Accounting And Recording Conventions*

49. The Committee is of the view that two recording conventions in the Scottish Budget appear to require further clarification.
50. The first convention is the switch from cash accounting to Resource Based Budgeting between budgeting periods 2001/02 and 2002/03. **The Committee requests clarification from the Scottish Executive on the effects of the shift to Resource Based Budgeting, both in terms of accounting practice and the material impact on the budget figures.** In doing so, the Committee acknowledges that the Scottish Budget document has attempted to address this issue – for example, by including a note of the capital charges for the water line in table 10.1.
51. The second convention is the recording of the Renewable Obligation (Scotland) budget provision (table 10.4 of the Scottish Budget) as a non cash item. The Committee notes that this derives from an earlier statutory provision related to the operation of a policy that preceded the new Renewable Obligation (Scotland) (ROS).
52. **The Committee recommends that the Scottish Executive considers how to clarify the fact that this budget line is a non-cash line based on the earlier Scottish Renewables Obligation, and how to differentiate this line from the ROS. This clarification is important since the SRO will continue to operate until 2015. A budgetary record for remaining years will relate to the previous policy.**

#### **RENEWABLE ENERGY IN THE SCOTTISH BUDGET**

53. The Committee notes that the Renewables Obligation (Scotland) represents a policy shift from a former renewables order that was funded from part of the Fossil Fuel Levy. A key point of the ROS is that it introduces a statutory obligation on suppliers and allows them to pass costs through to energy consumers. The extent of the consumer burden is limited by the determination of a ceiling price at which suppliers can buy-out of their obligation. As previously mentioned the Enterprise and Lifelong Learning budget records an entry for renewables that relates to the previous order rather than the ROS. The Committee notes that funding provisions for the promotion of ROS is largely determined at UK level and there appears to be three sources of possible funding for funding renewable energy projects—
  - The DTI holds a fund of £55 million to finance R&D. This money will be allocated by a bidding process
  - Another DTI fund of £39 million made available from recycled Climate Change Levy funds will be disbursed as capital grants to encourage the

adoption of more expensive technologies. The Committee understands that Scotland can expect a share of around £3.6 million over 3 years

- £50 million of lottery money will also be used for capital grants.

54. In written evidence to the Committee, the Minister for Environment and Rural Development indicated that Scottish projects would be assessed on their merits alone, and would not be restricted to receiving a specified share of total UK funds. **The Committee considers it would be helpful for this clarification to be included in the budget documentation in future years.**