



The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE COMMITTEE

AGENDA

6th Meeting, 2010 (Session 3)

Tuesday 2 March 2010

The Committee will meet at 2.00 pm in Committee Room 6.

1. **Subordinate legislation:** The Committee will take evidence on the draft Budget (Scotland) Act 2009 Amendment Order 2010 from—

John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth, Alyson Stafford, Director of Finance, and John Williams, Head of Finance Co-ordination, Scottish Government.

2. **Subordinate legislation:** John Swinney MSP (Cabinet Secretary for Finance and Sustainable Growth) to move S3M-5736—

That the Finance Committee recommends that the draft Budget (Scotland) Act 2009 Amendment Order 2010 be approved.

3. **Public Services Reform (Scotland) Bill:** The Committee will consider the Bill at Stage 2 (Day 5).

4. **Scottish Parliamentary Commissions and Commissioners etc. Bill:** The Committee will take evidence on the Financial Memorandum of the Scottish Parliamentary Commissions and Commissioners etc. Bill from—

Trish Godman MSP;

David Cullum, Head of the Non-Executive Bills Unit, and Janice Crerar, Allowances and Officeholders Department, Scottish Parliament.

5. **Decision on taking business in private:** The Committee will decide whether its consideration of a draft report on the Scottish Parliamentary Commissions and Commissioners etc. Bill should be taken in private at future meetings.

James Johnston
Clerk to the Finance Committee
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The Scottish Parliament
Edinburgh
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The papers for this meeting are as follows—

Agenda item 1

PRIVATE PAPER

FI/S3/10/6/1 (P)

Brief Guide to the 2009-10 Spring Budget Revision

[FI/S3/10/6/2](#)

The Spring Budget Revision 2009-10 and supporting document have been circulated to Members only in hard copy, and can be found on the Scottish Government's website, at: <http://www.scotland.gov.uk/Publications/2010/02/01134846/20>

Agenda item 3

Members should bring with them copies of the Public Services Reform (Scotland) Bill and accompanying documents, available from the Document Supply Centre or on the Scottish Parliament website:

<http://www.scottish.parliament.uk/s3/bills/26-PubSerRef/index.htm>

Members should also bring with them copies of the Marshalled List and the Groupings of amendments. Both of these documents are available from the Document Supply Centre.

Agenda item 4

PRIVATE PAPER

FI/S3/10/6/3 (P)

Submissions

[FI/S3/10/6/4](#)

Members should bring with them copies of the Scottish Parliamentary Commissions and Commissioners Etc Bill and accompanying documents, available from the Document Supply Centre or on the Scottish Parliament website: <http://www.scottish.parliament.uk/s3/bills/39-SPCC/index.htm>

A BRIEF GUIDE TO THE 2009-10 SPRING BUDGET REVISION

1. The changes proposed in the Spring Budget Revision result in an increase in the approved budget of approximately **£58.5m** from £34,711m to **£34,770m**.
2. The main change is additional funding for Pandemic Flu (£28.3m) and housing and regeneration (£30.9m) from Barnett consequentials arising from the 2009 UK Budget and an additional £2m to cover costs of potential claims made by councils against the Bellwin Scheme. Members of the Committee will recall that £19.7m of the total consequentials of £79m announced at the UK Budget were allocated at the Autumn Budget Revision to Further Education.
3. The other changes to the budget include increases in the AME budgets for NHS and Teachers' pensions (£33.1m) and NHS Impairments (£19.6m), and a decrease for Student Loans (-£13m) to reflect the latest estimates.
4. There was also a technical change to the presentation of the Scottish Water Cost of Capital (-£84.5m). The budget now shown reflects the income from the interest payable on loans to Scottish Ministers which offsets the cost of capital charge bringing budgets in line with the accounts. This has no impact on the resources available to Scottish Water or the Scottish Government.
5. Following a recent internal monitoring exercise, steps were taken to vire between portfolios according to estimated budget requirements for the remainder of 2009-10. Virement between and within portfolios is a 'zero sum' approach. What appears to be a small imbalance of -£3.2m mainly reflects the transfer of budget provision to support NDPB capital charges which are not included in the Parliamentary approval.
6. The adoption across central government of IFRS from 1 April 2009 requires The Scottish Government to convert during the course of the year our 2009-10 budget from a UK GAAP (Generally Accepted Accounting Principles) basis to an IFRS basis.
7. It is important to recognise that the conversion of the Scottish Government's budget onto an IFRS basis is spending power neutral and the budget adjustments are technical non-cash adjustments or transfers reflecting a change in expenditure classification from resource to capital.
8. The third column in Table 1.3 'Summary of Changes by Type' of the supporting document details the impact of the IFRS changes on the approved budget for 2009-10 following changes made at the Autumn Budget Revision.
9. Details of the major changes are summarised in the following table:

2009-10 Budget Approved at ABR**34,711.3****IFRS adjustments**

FSG- for motorways and trunk roads	15.4
HW- for Health (mainly ODEL)	16.9
Justice- for Scottish Prison Service (ODEL)	11.0
RAE - for Marine Scotland	0.9
ELL- for Disclosure Scotland	0.2

44.4

34,755.7

Technical Adjustments

FSG - Scottish Water	(84.5)
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34,671.2

Funding Changes

SPPA – increase in NHS and Teachers' Pension Costs (AME)	33.1
HW-Increase in NHS Impairments (AME)	19.6
HW-Hostels Support Grant (AME)	0.2
ELL- Decrease in Student Loans (AME)	(13.3)
HW-Additional funding for Pandemic Flu	28.3
HW-Funding for housing and regeneration	30.9
LG-Funding for potential Bellwin claims	2.0

100.8

34,772.0

Net Whitehall Transfers

ELL – NSPCC expansion grant	0.8
LG - Minor transfers	0.2

1.0

34,773.0

Internal Transfers within Scottish Block

Office of the First Minister	-0.6
Finance and Sustainable Growth	8.4
Health and Wellbeing	30.5
Education and Lifelong Learning	29.7
Justice	-45.4
Rural Affairs and Environment	-35.8
Administration	3.1
Local Government	10.1
Other	-3.2

-3.2

Proposed Budget following Spring Revisions**34,769.8**

Revisions by type

	DEL	AME	Other	Total
	£m	£m	£m	£m
IFRS Adjustments	17.0	0.0	27.4	44.4
Technical Adjustments	-84.5	0.0	0.0	-84.5
Funding Changes	61.2	39.6	0.0	100.8
Net Whitehall Transfers	1.0	0.0	0.0	1.0
Scottish Block Transfers	-3.2	0.0	0.0	-3.2
Total Changes	-8.5	39.6	27.4	58.5

Significant revisions include:-Office of the First Minister

- £1.7 capital transfer from RCAHMS (direct capital) to Cultural Collections (indirect capital).
- -0.6m to fund Burns Birthplace Museum from RCAHMS/Cultural Collections

Finance and Sustainable Growth

- -£84.5m change due to a technical change for cost of Capital for Scottish Water budgets.
- £3.8m for Scottish Centre for Regenerative Medicine funded by savings in Transport and transferred to ELL via Scottish Enterprise.
- £33.3m internal transfers to rail infrastructure to reduce pressure on the budget arising from the final settlement decision by the Office of the Rail Regulator.
- -£89.3m savings transferred to a range of FSG programmes from slippage of Edinburgh trams and cancellation of Glasgow Airport Rail Link on the grounds of unaffordability.
- Internal transfers to meet increased demands for Smartcard applications (£9.7m) and to help fund the M74 (£33.9m), Pathfinder Broadband project (£14m) and the Scottish Investment Bank (£10m)
- -£10m transferred to Finance and Sustainable Growth for the Scottish Investment Bank to support access to finance for firms to contribute towards Scotland's economic growth.

Health and Wellbeing

- £19.6m Transfer from HM Treasury to cover increase in NHS Impairments (AME)

- £28.3m UK Budget consequentials for flu pandemic.
- £30.9m UK Budget consequentials allocated to support affordable housing.
- -£9.5m transfer of responsibility for Mental Health Tribunal (Scotland) to Justice as part of the simplification of public bodies which also makes it easier to use the MHT (Scotland) Administration as a basis for developing an integrated support service for a range of tribunals with significant efficiency savings.
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- £45m Transfer from Justice to assist with emergency response to the outbreak of flu pandemic.
- £16.9m Net IFRS adjustment to reflect PPP/PFI projects going on balance sheet.
- -£5m other minor transfers within the Scottish block.

Education & Lifelong Learning

- -£3m transfer to local government to cover the costs of employing additional teachers in schools to assist with the implementation of Curriculum for Excellence.
- £8m capital transfer from Rural Affairs and Environment. This additional capital will be used to address a forecast over-commitment on the Scottish Funding Council's capital budget in 2009-10. The over-commitment has been created by an increase to forecast costs on a number of previously approved projects in the FE sector, and the additional capital will ensure that these projects remain on track in 2009-10.
- £3.8m from Scottish Enterprise for the Scottish Centre for Regenerative medicine for a project jointly funded by the Scottish Government, Scottish Enterprise and Edinburgh University. The new Scottish Centre for Regenerative Medicine forms part of the broader Centre for Biomedical Research at Little France, Edinburgh.
- £2m from Rural Affairs and Environment for the University of Aberdeen's new Animal Institute.
- the Scottish Funding Council will receive an additional £20 million largely from savings secured from across other portfolios to help it meet the costs resulting from increased levels of higher and further education students entering the system this year.

Justice

- £9.5m transfer of responsibility for Mental Health Tribunal (Scotland) from Health and Wellbeing as part of the simplification of public bodies which also makes it easier to use the MHT (Scotland) Administration as a basis for developing an integrated support service for a range of tribunals with significant efficiency savings.
- -£45m Transfer to Health to assist with emergency response to the outbreak of flu pandemic. Funding released as a result of time bar being applied to provision resulting from European Human Rights Commission ruling.
- -£10m transferred to Finance and Sustainable Growth for the Scottish Investment Bank to support access to finance for firms to contribute towards Scotland's economic growth.
- £18.1m Internal transfer from Scottish Prison Service for Firelink. Scottish Government is investing £100 million through its Fire and Resilience Programme to increase resilience, enhance capability and contribute to the delivery of a Safer Stronger Scotland. Our Fire and Rescue Authorities rely on high quality and resilient radio communications system in order to provide the standard of service we expect.
- £10.7m Internal transfer from Scottish Prison Service capital slippage for the purchase of the Dundee Forensic Laboratory.
- £0.9m transfer from Administration for costs of relocation to Saughton House. Funding to help cover the dilapidation and relocation costs to allow the Scottish Court Service (SCS) headquarters functions to remain within Edinburgh and relocate to Saughton House to make the best use of the assets available to the Scottish Government

Rural Affairs and the Environment

- Transfer of £5.1m to Administration for support services previously undertaken by FRS and SFPA which transferred to core SG with the creation of Marine Scotland.
- Transfer of £28m to Education and Lifelong Learning from across a range of programmes. This includes an initial grant for the new University of Aberdeen Rowett Institute of Nutrition and Health and additional funding for the Scottish Funding Council.
- Transfer of £2m from Natural Heritage and Rural Services to Education and Life Long Learning - funding was set aside to cover a grant for a creamery investment but no expenditure will take place this financial year. This funding will be returned to RAE in 2010-11.

Local Government

- £3m Transfer from ELL to cover the costs of employing 100 additional teachers in schools to assist with the implementation of Curriculum for Excellence.
- £3.2m transfer from Scottish Enterprise for Business Gateway and Local Regeneration.
- Transfer of £1.9m from Highland & Islands Enterprise and Scottish Enterprise for Business Gateway funding
- £2.2m additional funding for Bellwin Scheme to cover potential claims from councils for the costs of emergency works following severe weather.

**Finance Co-ordination
February 2010**

Finance Committee

6th Meeting, 2010 (Session 3), Tuesday 2 March 2010

Scottish Parliamentary Commissions and Commissioners Etc Bill

Submissions

Submissions have been received from the following organisations—

- Chief Investigating Officer and the Scottish Parliamentary Standards Commissioner
- Commissioner for Public Appointments in Scotland
- Scottish Government
- Scottish Prisons Complaints Commissioner
- Scottish Public Services Ombudsman

**SUBMISSION FROM CHIEF INVESTIGATING OFFICER AND THE
SCOTTISH PARLIAMENTARY STANDARDS COMMISSIONER**

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes, and yes.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes

3. Did you have sufficient time to contribute to the consultation exercise?

Yes

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Yes, subject to the comments below.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Yes, subject to the comments below.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Yes, subject to the following comments.

Comments on questions 4, 5 and 6

The Standards Commission currently provides a range of support services for the CIO namely human resource services (including policies and procedures), financial services (including procurement, budget, banking, invoicing and salaries) and IT services.

These services will, in future, be provided by the new Commission for Ethical Standards in Public Life in Scotland and it would be appropriate for the cost of providing these support services to be quantified and

transferred from the Standards Commission to the new Ethical Standards Commission.

It is proposed that, for the purpose of moving forward, this should be done by agreement among the Standards Commission, the new Ethical Standards Commission, the Scottish Government (the current sponsor body of the CIO and the Standards Commission) and the Scottish Parliamentary Corporate Body (the current sponsor body of the SPSC and the proposed sponsor body of the Standards Commission and the New Ethical Standards Commission).

Wider Issues

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

Yes.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

No.

SUBMISSION FROM THE COMMISSIONER FOR PUBLIC APPOINTMENTS IN SCOTLAND

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by, the Financial Memorandum for the Scottish Parliamentary Commissions and Commissioners etc. Bill. In addition to the questions below, please add any other comments you may have which would assist the Committee's scrutiny.

Consultation

9. Did you take part in the consultation exercise for the Bill? Yes
10. Did you comment on the financial assumptions made? Yes
11. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

They have been reflected reasonably – I anticipate the transitional costs could be slightly higher, although the figure I anticipate is not far from that contained in the Financial Memorandum.

12. Did you have sufficient time to contribute to the consultation exercise?

The request for comment was received in my office on 25 November with a request for a response by 9 December. A period of two weeks was allowed for consultation. My post is part-time and, like others, I have a full diary. Thus, I did not feel we were given the time I would have liked to comment on the Financial Memorandum which is a key instrument in the effectiveness of my organisation and the new Commission going forward.

Costs

13. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Please see comments above at question 3.

14. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

I understand that the anticipated transitional costs of £48k involved in merging my office with that of the CIO and SPSC will be met from contingency funding, as noted in paragraph 301 of the Financial Memorandum.

15. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

- *Cost estimates*

I note that the Parliamentary corporation's Head of Internal Audit visited a number of the offices affected by the proposed restructuring. He did not visit OCPAS. I can confirm that the figures referring to my office for 2009-2010 and 2010-2011 are based on the current year's budget and the budget bid for 2010-2011. I agree that, as stated, the transitional costs arising from the proposed new Commission for Ethical Standards in Public Life in Scotland are an estimate based on anticipated costs, which in turn were, where possible, based on estimates received.

- *Timescales*

para. 299: no indication is given of when potential savings through merging two offices will be realised

para. 300: no indication is given of when potential savings from co-location will be realised

para. 301: the timescales for transitional costs are indicated as spread over a period, with the initial work commencing in 2010-2011. No end date is identified so it is not possible to say whether the period is reflected accurately in the Financial Memorandum.

Wider Issues

16. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

17. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

The transitional costs of merging the CIO, SPSC and CPAS cover the initial work required. I believe that future work will be necessary to create one staffing structure, to harmonise terms and conditions, policies and procedures and to agree new frameworks with regulators – the Commission will, for example, require a publication scheme, scheme of delegation and audit regime. At this point it is unrealistic to attempt to quantify the costs of this work – we do not yet know what will be involved. I am meeting the CIO/SPSC in March to begin discussions and agree a plan for the transition.

SUBMISSION FROM THE SCOTTISH GOVERNMENT

Consultation

18. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Not applicable for this Committee Bill as there was no formal consultation. We were able to contribute evidence as appropriate. Ministers were involved in the preparation of evidence for the RSSB Committee Review which led to this Bill. The Cabinet Secretary for Finance and Sustainable Growth also gave written and oral evidence to the Committee in 2009. The Committee was also provided with written and oral evidence from Government-supported bodies: the Standards Commission; the Chief Investigating Officer; and the interim Prison Complaints Commissioner (March 2009).

19. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Not applicable – see answer to question 1. We understand that the financial assumptions in the FM accurately reflect estimates which have been provided by the relevant bodies.

20. Did you have sufficient time to contribute to the consultation exercise?

Not applicable for this Committee Bill as there was no formal consultation. We were able to contribute evidence as appropriate.

Costs

21. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

The key financial implication for the Government is that if the changes are made, the responsibility for meeting the costs of functions of the Standards Commission, Chief Investigating Officer and the Scottish Prison Complaints Commissioner will transfer to the SPCB budget. The estimated costs provided by the bodies concerned appear to have been accurately reflected in the FM.

We do have a query about the wording of paragraph 305 - that “costs associated with appointment costs for the members...are met centrally by the Scottish Government and an appropriate financial transfer will be sought when the next round of appointments arises, expected in 2013/14.” At present the costs of appointment rounds fall to individual sponsor teams across the Government and there is no central funding for this. Paragraph 305 could be read as implying that Ministers would

be expected to finance the appointment rounds in 2013/14 and possibly also future appointment rounds for what will be SPCB-supported bodies. As it will be for the Parliament to appoint Board members as part of its supporting role, our understanding is that it would be for Parliament to fund these appointment rounds in future. We therefore do not think that paragraph 305 is correct as it stands.

22. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

A number of paragraphs in the FM indicate potential requirements for transfer of funds from the Government to SPCB in 2010/11. Arrangements are in place to enable this. Future costs will then be met from the Parliament top slice of the Scottish Block as noted in paragraph 326.

23. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

The Government recognises that the information on estimates and costs has been obtained directly from the respective bodies as noted in paragraph 332. The estimated costs and timescales and the associated margins of uncertainty provided by the bodies concerned appear to have been reflected accurately in the FM.

Wider Issues

24. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

Not relevant in this case.

25. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

The Government is not aware of any additional future costs.

SUBMISSION FROM SCOTTISH PRISONS COMPLAINTS COMMISSIONER

Consultation

26. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

My predecessor Richard Smith took part in the consultation exercise for the Bill and made a few comments on the financial implication of moving the function of the SPCC to the SPSO. I provided more detailed financial information in September 2009.

27. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes, I believe my comments on the financial assumptions have been accurately reflected in the Financial Memorandum.

28. Did you have sufficient time to contribute to the consultation exercise?

Yes, I had sufficient time to contribute to the consultation exercise.

Costs

29. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

My organisation will not exist once the transfer to the SPSO is made. This fact and the financial implication is accurately reflected in the Financial Memorandum.

30. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

My organisation has no financial costs associated with the Bill.

31. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Not applicable given the answer to 5. above.

Wider Issues

32. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

Not applicable to SPCC.

33. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

Not applicable to SPCC.

SUBMISSION FROM SCOTTISH PUBLIC SERVICES OMBUDSMAN

1. Did you take part in the consultation exercise for the Bill?

Yes

If so, did you comment of the financial assumptions made.

Yes.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes

3. Did you have sufficient time to contribute to the consultation exercise?

Yes

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum. If not, please provide details.

The financial implications of the transfer of the functions of the Scottish Prisons Complaints Commission (SPCC) to the Scottish Public Services Ombudsman (SPSO) have been reflected in the financial memorandum.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

The additional costs to the SPSO in carrying out the Scottish Prison Complaints Commissioner's duties will require appropriate funding from the Scottish Government via the Scottish Parliamentary Corporate Body. We are content with the proposal outlined in the financial memorandum which will lead to substantial savings to the public purse.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

The figures contained in the financial memorandum are best estimates of the costs which will arise in implementing and running the proposals contained in the Bill. These estimates are based on an early analysis of publicly available information and an initial examination of a small sample of existing prisons complaints. We are currently working with the Scottish Prison Complaints Commissioner (SPCC) and other bodies to complete our project planning to ensure further, more detailed analysis of the Commissioner's functions, processes and systems. This further analysis may lead to a revision of the

estimated costs. However, these are unlikely to significantly alter the substantial savings which will be achieved from this proposal.

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum.

The Bill proposes changes to the jurisdiction of the SPSO. Further significant changes are also being proposed by the Public Services Reform Bill. In submitting information for the financial memorandum we were asked to focus solely on the changes arising from the Scottish Parliamentary Commissions and Commissioners etc. Bill and not those arising from the Public Services Reform Bill or the potential for synergies or additional costs.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance. If so, is it possible to quantify these costs.

The figures contained in the financial memorandum are our best estimates at the costs of implementing and running the proposals contained in the Bill. As stated above, further analysis may lead to a revision of the estimated costs. However, these are unlikely to significantly alter the substantial savings which will be achieved from this proposal.

I trust that this response is helpful to the Committee in their deliberations. If I can be of any further assistance then please be in touch.

Jim Martin
Ombudsman