

THE SCOTTISH BUDGET PROCESS: OPTIONS FOR CHANGE

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INTRODUCTION AND OUTLINE

The Scottish Parliament and its Executive inherited responsibility for allocating the assigned budget from the Scottish Office as of the 1st July 1999. Changes in the level of the assigned budget are still determined by the Treasury within the framework of public expenditure control in the United Kingdom, which requires approval from the UK parliament. Known as the Barnett Formula, this system has been the subject of much criticism, debate and analysis over the recent past (Bell 2001; Kay 1998; Midwinter 2002). Surprisingly little has been said about the process by which the Scottish Parliament and Executive then distribute these funds between competing claims within Scotland outwith analysis conducted by, and on behalf of, the Parliament's Finance Committee.

This paper presents a critique of the Scottish budget process and offers options for change. Although Parliament has now had control of Scottish spending for a full Parliamentary session we have not as yet had four full budget rounds – the first budget was truncated due to the opening Parliamentary session commencing in July 1999, and this truncation happened again for 2004-05 due to the 2003 election. That notwithstanding, there is still sufficient evidence that the initial intention of establishing a system giving Parliament more scrutiny and control than is the case in the Westminster model has not been entirely successful.

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The structure of the article is to first explore the basis on which the current budget process was devised and explain its structure. It then looks at problems within the budget process and with the originally devised budgeting structure. It concludes by offering options for change.

THE CURRENT BUDGET PROCESS

The Scotland Act 1998 required Parliament to legislate on a financial framework. In order to do so the Scottish Office set up the Financial Issues Advisory Group (FIAG)¹ to make recommendations on the effective financial management of the assigned budget. FIAG's recommendations form the basis of the financial provisions contained in the Standing Orders adopted by the Parliament and the Public Finance and Accountability (Scotland) Act 2000. FIAG recommended a three-stage budget process, a process that is intended to provide a greater degree of detailed financial control and consultation than is the case at Westminster. The three stages occur during the financial year as follows:

- *April to June*: a consideration of spending strategy, where views, including those of the general public, on the Executive's expenditure priorities for the Budget year and provisional plans for the following two years are sought.
- *October to December*: detailed consideration by Parliament, particularly the Finance Committee, of the draft spending proposals of Scottish Ministers. The Finance Committee may propose an alternative budget within the total budget amount proposed by the Executive.
- *January to March*: the formal parliamentary process of enacting the Budget Bill. At this stage Parliament can only accept or reject the Budget Bill. Only the Executive can offer amendments.

Although the budget process is designed to work as described above, theory and practice diverge. Table 1 describes how the budget process has operated to date.

¹ FIAG comprised leading figures from the financial world in Scotland together with individuals representing a cross-section of wider public and private sector interests.

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Table 1
Operation of the Budget Process

Financial year	
1999-2000	<p>Transitional supply arrangements published in February 1999 (House of Commons 1999).</p> <p>Two supplementary rounds of estimates using the Westminster supply model were presented to the Scottish Parliament for approval in October 1999 and January/February 2000.</p>
2000-01	<p>The consultation process should have started in April 1999, but since the first meeting of Parliament was not held until July, the process began at the second stage in November with the publication by the Executive of Spending Plans for Scotland: A Consultation Document Covering the Financial Plans for 2000-2001 to 2001-2002 (Scottish Executive 1999).</p> <p>The budget bill was introduced to Parliament at the beginning of 2000 and became law as the Budget (Scotland) Act 2000 – the first budget Act passed by the Scottish Parliament.</p>
2001-02	<p>The first budget to go through all the stages envisaged in the Public Finance and Accountability (Scotland) Act 2000.</p> <p>Stage one began with the publication of Investing in You – The Annual Expenditure Report of the Scottish Executive (Scottish Executive 2000a).</p> <p>The second stage saw the publication of Making a Difference for Scotland – Spending Plans for Scotland 2001-02 to 2003-04 (Scottish Executive 2000b).</p> <p>The Budget (Scotland) (No.2) Bill was introduced to Parliament in January 2001 and was enacted as the Budget (Scotland) Act 2001.</p>
2002-03	<p>Stage one began with the publication of The Scottish Budget (Scottish Executive 2001a).</p> <p>A ‘realignment’ of spending priorities was announced on the 28th June.</p> <p>Stage two began with the September publication of Draft Budget 2002-03 (Scottish Executive 2001b).</p> <p>The Budget (Scotland) (No.3) Bill was introduced in January, being passed as the Budget (Scotland) Act 2002.</p>
2003-04	<p>Stage one began with the publication of The Scottish Budget 2003-04 (Scottish Executive 2002a) in April 2002.</p> <p>Stage two saw the publication of Building a Better Scotland: Spending Proposals 2003-2006 (Scottish Executive 2002b) in September 2002.</p> <p>The Budget Bill was enacted as the Budget (Scotland) Act 2003.</p>
2004-05	<p>The budget proposals for 2004-05 had to be truncated due to the 2003 election. This meant that the first two stages of the budget were compressed into one to be dealt with between September and November. The Executive published their budget programme in September with Draft Budget 2004-05 (Scottish Executive 2003).</p> <p>The subsequent Budget (Scotland) Act was passed in January 2004.</p>

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Theory and practice have diverged. Only in years 2001-02 to 2003-04 has the budget operated as envisaged by FIAG. On this basis alone one budget round in four is lost to elections, with the first and second stages being compressed into one single period of consultation in the autumn. The UK Spending Review process further compromises normal operation of the budget process. The UK government operates a three-year spending allocation process, with the final year being reconfirmed in the new Review. Since Scotland does not play a role in the Spending Review process, receiving its funding instead through Barnett formula consequentials, the Executive must wait until the Spending Review is completed before being sure of its allocation. Since the inception of the Scottish Parliament, Spending Reviews have been conducted in 2000 and 2002, and one is on-going for 2004. The Review is announced in July – mid-way between stages one and two of the budget process. This has affected the budget rounds for years 2001-02 and 2003-04. Taken together with the election year budget compression, the budgetary process recommended by FIAG can only operate as intended once every four years.

SPENDING WITHIN THE SCOTTISH BUDGET

Spending under the control of the Scottish Parliament amounts to over 60% of identifiable government expenditure in Scotland, the remaining 40% being undertaken, along with all unidentifiable expenditure, by the UK government (HMSO 2003). Of that 60%, the majority is taken up by spending on health and local government, with the latter funding the great bulk of primary and secondary education costs. The largest non-devolved expenditure responsibility is social security, which amounted to almost ten billion pounds in Scotland in 2000-01, a sum equivalent to over fifty percent of the total value of the assigned budget of the Scottish Parliament for that year.

Table 2 shows the effect on Scottish aggregate expenditure of the large increases in public spending seen throughout the UK over the last five years. The real budget growth shown there was aided by the Chancellor's spending increases announced within the 2001 budget, which led to Scotland receiving £200 million through Barnett formula consequentials. Coupled with 'realignment' of £289 million within the Scottish budget, this meant that between stages one and two of the 2002-03 budget process a total of £489 million of changes in allocations were made. It is difficult to make

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comparisons between the budgets for 2003-04 and 2004-05 because of an alteration in the treatment of the capital charge, although there will be an absolute cash increase between the two budgets.

Table 2
Budget Growth, 2000-04

Financial year	Budget Total (£m) [2000-01 prices]	Growth rate
2000-01	17,997	
2003-04	20,188	12.2%

Source: Scottish Executive 2001 and author's own calculations

The four-year period from 2000 to 2004 was one of exceptional budgetary growth and offered the Executive scope to increase spending significantly. However, such is the nature of pre-commitment to expenditure that the Executive did not have as much opportunity as may have been expected to alter the distribution of that expenditure. Over the period 2001-02 to 2003-04 expenditure on health was scheduled to rise from 30.9% of the entire Scottish assigned budget to 31.5%; for local government the change was 32.9% to 34.5%. Once administrative budget changes are subtracted the percentage of the budget accounted for in the two spending heads increased only marginally over the three-year period. Of course, even small increases in spending heads of such magnitude as health and local government amount to millions of pounds, but as Midwinter and Stevens note in their report for the Parliament's Finance Committee '1% to 2% of the budget ... is feasible to change in the short run.' (Midwinter and Stevens 2001). They make the important distinction between the budget base – that funding already committed – and the budget increment, some of which may already be committed to recurrent spending programmes, but which is most likely to offer scope for change.

With around sixty percent of identifiable spending in Scotland conducted under the control of the Scottish Parliament it is vitally important that the budget process that leads from the receipt of funds to Scotland from

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Westminster through to the delivery of public services works well. The next section of this article seeks to highlight where the evidence of four years of budgetary practice has shown the shortcomings of the budget process as it stands at present.

WHAT DOESN'T WORK IN THE BUDGET PROCESS?

This section of the article looks at those areas of the Scottish budget process where expectations and experience have not coincided. It looks first at the Scottish budget documents, what they contain and how the discussion around the contents interacts with the introduction of output and outcome budgeting. It then goes on to look at the scrutiny role the Finance Committee and subject committees play and how the budget processes of Scotland and the UK interact. The final discussion surrounds the Parliament's powers to propose an alternative Scottish budget and the relationship between budget setting and target setting.

Budget documents are crucially important. They provide the information to allow analysis to be undertaken and set the tone for the debate surrounding their content, but the budget documents have become increasingly detailed, so much so that there is now an executive summary as well as the full, detailed document. The first spending plans document, **Spending Plans for Scotland: A Consultation Document Covering the Financial Plans for 2000-2001 to 2001-2002** (Scottish Executive 1999), ran to 24 pages. By the publication of **Building a Better Scotland: Spending Proposals 2003-2006** (Scottish Executive 2002b) in September 2002 it had grown to 296 pages. Admittedly the documents were different in style – the former sought to be a consultation, the latter a description – but even still the difference remains stark. The latest budget publication, **Draft Budget 2004-05** (Scottish Executive 2003), offered a slightly more slim-line publication at 206 pages.

The Finance Committee made it clear very early in its first budget inquiry that it needed more detailed information – information it believed should extend to level three (Scottish Parliament 2000). This level is sub-sub departmental: for example, *Transport* is a level one heading, within it are a series of level two spending headings, for instance *Motorways and Trunk Roads*, and within each level two heading is a series of level three spending headings such as *Roads Improvements*. Jack McConnell, Finance Minister at the time, disputed this call for such detailed information, at least at stage one

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of the process. He believed the subject committees and Finance Committee were becoming bogged down in the detail at stage one and that they needed to take a more strategic, high level approach to the budget (Finance Committee 2000 Col. 671). The Finance Committee agreed with him, though they believed the information presented to them up to that point had not allowed them the opportunity to analyse the budget documents to the depth they would have liked. They also pointed out a number of other concerns within the budget process, many of which are also made within this paper (Scottish Parliament 2000).

The nature of the documentation is crucial – if the documents presented by the Executive to Parliament are technical then the discussion of them will be technical. A balance must be struck between comprehension and detail and to that end a shorter summary as well as the technical volume is available. The level of the analysis in that technical volume and its content remain too detailed and lead the committees, and the Finance Committee in particular, to focus too much on the detail with too little attention given to the strategic direction of spending and its benefits, especially at stage one of the budget process. This is now being addressed and more details of the changes proposed should become apparent during the current budget year.

Traditionally, budget documents have been based on inputs: that is, how much money is going in to a service. This is far from satisfactory – is the extra this year over last year because more demands are being put on the service, is it because costs for this service rise faster than general inflation, or is it because this service is becoming increasingly inefficient and it takes increasing amounts of cash inputs to achieve a static service output? For this reason the Finance Committee and the Executive are keen to move towards output budgeting, with the aim of achieving outcome budgeting (Scottish Parliament 2001a). An example of the difference between input, output and outcome budgeting can be taken from the health budget. If the Scottish Ambulance Service gets a hypothetical budget of £80m this would represent an input budget. If the measure was that this provided five hundred ambulances and people to staff them this would represent part of an output budget. To be able to measure that this represented a response time of thirty minutes for ninety percent of the population and a survival rate of 85% on arrival at hospital would be an outcome measure. Each one has a place, but if the Ambulance Service's performance is to be measured then the outcome measure is likely to be the most useful. Input budgeting, however, remains

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the standard used by the Executive within its budget documents and it is supplemented by extensive information on targets and other data pertinent to the particular budget. The result is the highpoint of 296 pages of information published in 2002. This depth of information is of dubious worth given the constraints placed upon the committees.

Each subject committee provides the Finance Committee with a report on its discussions around the area of the budget relevant to them at the end of stage one. The Finance Committee takes an overarching view and usually questions ministers and civil servants from the Finance and Central Services Department rather than ministers from spending departments. Their discussions and questions will then range across a wide spectrum of subjects and deal with issues including the reserve and contingency funds and End Year Flexibility that are not of direct concern to the subject committees. It has become increasingly apparent that the subject committees have changed their role in reporting back to the Finance Committee on their subject area's part of the budget. It has become less an opportunity to use their knowledge to question specific budget outcomes, and more an opportunity to plead for more resources for their subject area. The Finance Committee is keen to address this and seek a standardised reporting framework for subject committees (Finance Committee 2004 Col 1126). The situations in which the subject committees find themselves are understandable. The movement away from cash accounting to resource accounting and budgeting – an accruals system – made comparisons between different budget documents prepared using the two different accounting conventions impossible and made the task of understanding the budget documents more difficult for the subject committees, many of whom have now had to engage budget advisors to help them in their discussions.

The committee structure of the Scottish Parliament was intended to allow greater scrutiny and parliamentary involvement within the legislative process than is the case at Westminster. In the first session of Parliament there were twenty-three committees; there are sixteen for the second session. There are only 129 MSPs. A number of them will not be eligible to sit on committees, or restricted in their membership, as members of the administration, through their roles as party leaders or as members of the Parliamentary Bureau. Most members sit on two committees, but even still the number of members on the Finance Committee had dropped to seven by the time the first Parliament was dissolved. Given the volume and occasional complexity of the budget

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documents as well as their sheer volume this put the Finance and subject committees under some strain. Much of this strain would be reduced were committees and MSPs to have greater access to support through research and advice. The Scottish Parliament Information Centre (SPICe) provides the vast majority of information for committees, having subject researchers across the Parliament's competencies. In addition, committees have expert advisers to help them in their work. Only by extending those resources is it possible to imagine the Parliament being able to fulfil to the fullest extent its scrutiny role.

At present the UK and Scottish budget processes are not synchronised. The Chancellor of the Exchequer announces his spending plans at the conclusion of the Spending Review in July. The latest spending review was conducted in 2002 and covered the years 2003-04 to 2005-06; a new Review is currently underway and will be published in the summer of 2004. Although the Review aims to set down clear Departmental Expenditure Limits for these years, announcements of spending changes by the Chancellor can lead to consequential for Scotland through the Barnett formula. This is also the case when spring, summer and autumn supplementaries are introduced to the House of Commons. Seldom will these consequential amounts be significant sums, perhaps £10m, but where the sums are substantial, as they were in 2001, the Executive may decide to introduce the money into the budget under consideration rather than holding it until the following budget year. In 2001 this led to the introduction of an extra £200m into the budget and encouraged the Executive to 'realign' a further £289m. This meant that the deliberations of the Finance and subject committees at stage one of the budget process were of little consequence as an extensive revision took place between the stages. Such a revision has not taken place again, but it is likely where the UK government decides to radically increase spending above that announced through the Review.

The Finance Committee may suggest alterations to the budget that may or may not be accepted by the Executive. After a rather hesitant start the committees found their feet and have suggested more amendments to the budget. The Executive has welcomed this, presumably because it served to show that the budget process was working and encouraging the participation of the committees that FIAG had envisaged. However, in extreme circumstances the Finance Committee has the power to propose an alternative budget to that proposed by the Executive. This can happen at the

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conclusion of stage two of the budget process. In this case they cannot propose to spend more than the Executive does, but they can alter the allocation of spending within the budget. Though this must surely be seen more as a threat than a realistic possibility it does, in theory, remain possible.

It is very difficult to see how the Finance Committee, or Parliament for that matter, could have the resources to allow it to undertake such a task as redesigning the budget. Most committees appoint a standing adviser and may employ the services of a specialist adviser when investigating a particular topic. They also have the resources of the Clerks' office and advice and research from staff of the Scottish Parliament Information Centre (SPICe). Against this are the several hundred civil servants within the Executive involved in compiling the Executive's budget proposals; since it has never come to pass it is not clear if civil servants from the Executive would be made available to help compile the Parliament's budget. It is not difficult to imagine that the Finance Committee would struggle to complete the task, even if it wanted to do so. But the issue goes beyond one of resources to one of function. Should Parliament propose a budget, or is the role of the legislature to scrutinise and, if necessary, reject?

The Scottish Parliament was established with a strong desire to involve committees more in the legislative process than is the case at Westminster. Most parliaments operate within a framework of checks and balances, with the executive responsible to parliament and parliament representing the views of the electorate and holding the executive to account. If Parliament were to reject the budget proposal of the Executive and instead to propose their own allocation within the budget total and subsequently have that passed, it is difficult to see how the Executive could administer a budget that was not of its own design. Given the primacy of financial control in the actions of government, a government that had become an administration, as one would become if it lost its allocative powers, would be placed in an unenviable position. It is difficult to imagine this happening other than with a minority Executive – party ties are doubtless too strong to allow it – but the action of forcing an Executive to accept another budget to administer rather than making them rethink their existing proposal may take parliamentary control a step too far.

This issue is complicated further by Public Service Agreements (PSAs). First introduced in 1998, they sought to present short-, medium- and long-term targets for UK government departments. Although devolution meant there

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could be no agreements between Whitehall and Edinburgh, the Scottish Executive did follow the UK government's lead and develop its own longer term targets in the Scottish budget documents and **Closing the Opportunity Gap – Scottish Budget for 2003-06**. Although more limited in scale and scope than the targets set by the UK government, they do establish targets to be achieved as far away as 2010 – one parliament away from the one elected currently. While these targets were published by the previous Executive and may be changed, the desirability of providing a longer-term focus for targets might mean that they are not be changed too much if there is continuity in policy intentions.

The Executive's targets are part of the electoral package on which it was elected. It is hard to imagine that Parliament, providing it was to have a majority Executive, could vote against the Executive's budget proposals and in favour of the Finance Committee's while still supporting the Executive's targets. If the budget is merely the financial input means to achieving the output ends, then is the Finance Committee's budget proposed because it disagrees with the targets or merely with the means of achieving them? Any alternative budget proposal would have to make that clear, as a budget framed around achieving outputs would be difficult to change without being seen as a challenge to the output targets and the public service provision they seek to achieve. Again it would be more likely where the Executive is a minority administration – as could happen if the partnership between the Labour party and the Liberal Democrats in the current Executive were to break down.

OPTIONS FOR CHANGE

This section of the article proposes some changes that could be made to overcome the problems highlighted above. It is by no means an exhaustive list of all the options available, but instead those options that are most likely to address the problems inherent within the current process while allowing the budget system to meet its original intention of scrutinising the financial plans of the Executive. The structure is to look first at changes that could be made to the budget documents, their content and how they relate to output budgeting. It then looks at the role of the Finance Committee and suggests how targets have altered the role it and Parliament must play in budget setting.

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The budget process has become increasingly cumbersome since its inception in 1999. FIAG sought to create a system less dominated by the executive than is the case at Westminster and allow Parliament the opportunity to scrutinise the financial plans and budgets of the Executive (Scottish Office 1998). This intention has been lost within the mire of detail that is now seen as part of the budget system. Stage one of the process was intended to take ‘a strategic look at the budget, consult with the public and make recommendations to the Executive’ (McVicar and Wakefield 2003). At stage two the Parliament could examine the budget in much finer detail and decide whether the Executive had accepted the suggestions proposed at stage one. In practice the differentiation between stages one and two has become blurred with the Finance Committee getting as much information at stage one as may be required at stage two. Jack McConnell’s observation that the committees were becoming bogged down in the detail is appropriate – they appear to have lost sight of the original intention of stage one, or been blinded by the vast amount of information presented to them. They do, however, appear to be addressing this problem and are keen to treat stage one of the budget process as allowing for a strategic overview (Scottish Parliament 2003 and Finance Committee 2003b Col.496). The passage of the budget for 2005-06 will present an opportunity to demonstrate that change.

Instead of examining the budget proposals contained within the annual expenditure reports the committees need to treat stage one as it was originally intended – an opportunity to tell the Executive how it would like to see funds spent within the budget. This would involve stripping out much of the financial detail within the budget documentation and instead making more use of the targets the Executive seeks to achieve. Targets have become an essential of modern government and the Executive was quick to adopt them, along with a desire to move to output and outcome budgeting as appropriate. Both these systems of financial reporting lend themselves to *ex ante* appraisal of targets as well as *ex post* evaluation of the methods used to achieve them. By focusing on the targets the Executive set themselves and the macro financial sums (primarily at level one and perhaps at level two) they plan to use to achieve them the committees can return analysis to a strategic level. This will allow them the opportunity to focus more on what the targets are seeking to achieve than the means by which they aim to achieve them, with the focus on the means at stage two of the budget process. At this stage it does become important how the Executive seeks to achieve its targets and this is the appropriate point at which to question the sums involved given

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financial and service data that show the returns to previous expenditure. There is evidence from recent Finance Committee discussions that they are keen to move the budget process towards a more strategic analysis (Finance Committee 2003b). Further, concentrating on the targets that the Executive seeks to achieve will allow the Finance and subject committees to question ministers on the sense of individual targets and the trade-offs between them. This issue has been given surprisingly little attention, although Crafts (2004) does discuss some of the issues related to this point.

A vital part of restructuring the focus of the different budget rounds is to examine the documentation provided as part of them. Removing much of the finer detail from within the annual expenditure reports and leaving only the targets and macro financial data would make more explicit the role that stage one analysis should seek to examine: the targets and the outputs related to public expenditure rather than the public expenditure levels themselves. At stage two the Finance Committee require more detail and that will need to be provided, but it could be more explicitly linked to targets and outputs and these could be simplified. It is difficult to be too prescriptive about the exact format of the documentation at stage two other than to use the example of the health budget. Perhaps more than any other it demonstrates how extensive and detailed the budget documentation can become, so much so that it may hinder examination.

The FIAG recommendations were quite clear that the committees should play more of a scrutiny role than is the case at Westminster. This is the way the subject committees have set about their task and they undoubtedly have scrutinised subjects at least in as much detail as initially expected. The reduction in the number of committees in the second session of Parliament, and therefore the workload expected to be borne by MSPs, is to be welcomed and should allow committees to direct their efforts to more effect.

The role too of the Finance Committee could be reviewed. Its function has extended beyond budget scrutiny and public finance. The Executive's spending plans and targets do not fit within easy departmental classifications and increasingly cross-cutting departmental and subject reviews require to be undertaken. The Committee has become as concerned with value for money, long term planning and the Executive's over-arching programmes of sustainability and social justice as with finance. Perhaps it is appropriate, given the unique role of the Finance Committee, to re-examine its remit and perhaps its name. Since Scotland has no department involved in policy in the

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over-arching way the Treasury is at Westminster, the Finance Committee may be better named the Finance and Policy Committee. This would allow its function to be clear and its role to be to question targets, evaluations, policy advice and research as much as finance and the budget per se. Within such a system the subject committees would retain their specific scrutiny role, but the Finance and Policy Committee would undertake an expanded oversight role, including the role of research and advice.

The lack of synchronisation of the UK and Scottish budgets could be addressed. As devolution is planned for the regions of England, it would be sensible to seek to align the budget processes of Westminster and the devolved governments. The role of the Spending Review in altering budget totals, and the potential for Barnett formula consequential of spending announcements made by the Chancellor, make harmonisation of budget systems desirable. A recent report for the Finance Committee on the budget process and its accessibility to scrutiny and public involvement makes the valid point that since the Review has a three year planning horizon the budget process could make firmer spending commitments over two or three years (Scottish Parliament 2003). The Executive's budget documents already include spending plans for three years in advance, but they are frequently revised. The report for the Finance Committee seeks to ensure that they remain more concrete.

The Scottish budget system also suffers from the four-yearly hiatus caused by Scottish Parliamentary elections. A solution to this problem will take much discussion both within the Scottish Parliament and between the Parliament and others, including the UK parliament, the UK government and the other devolved regions and territories. One option remains to be to continue with a single stage of deliberation and consultation in the autumn following elections, as happened in 2003. Though this paper argues for a change in the nature of stage one, it does not encourage its abolition, even for one year in four. No solution to this problem is apparent immediately, but it is one that must be resolved. A system that received so much thought prior to adoption cannot be undone every four years.

The longer term nature of targets and their increasing use within government at all levels reinforces the need for stage one of the budget process to be directed more at the strategic than the detailed level. It also requires Parliament's role, as well as that of the Finance Committee, to be reconsidered. Although it is unlikely that, even were the Finance Committee

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to propose an alternative budget at the conclusion of stage two, Parliament would endorse it, this power should be removed. Instead the scrutiny power of Parliament into the activities of the Executive should allow it to block the budget as proposed and demand revisions – and these revisions could be quite clear and explicit. Targets have taken the focus away from inputs and instead directed it to outputs, and so it is no longer appropriate that Parliament's veto remains on the input side.

Very little of the total budget is available for reassignment due to the nature of the budget block and increment system used in Scotland. Given this, it would be better that Parliament's power lay in explaining why it disagreed with the Executive's targets and existing spending commitments and making it explain its spending decisions. If Parliament is to propose an alternative budget it can only reasonably do so with the increment in spending that has been made available through the Barnett formula minus inflation, unless it wishes to make cuts in existing provisions. Governments are seldom keen to do this and it is more than likely the case that the same would be true of the Scottish Parliament. Again the issue of the resources made available to Parliament is clear - Parliament would be more able to counter the Executive if it had more of its own resources to hand. Though SPICe and standing and expert advisors provide as much information as they can, a more fully resourced Parliament would be better placed to fulfil the scrutiny role it was envisaged to perform.

CONCLUSION

The budget process has only operated as envisaged by FIAG and introduced by the Public Finance and Accountability (Scotland) Act for three years, excluding the financial changes caused by the biennial Spending Reviews. The process was designed by consultation, evidence from other systems and a keen awareness of what was perceived as undesirable in the Westminster system. The past five years have shown ways in which the operation of the budgetary system has differed from the perceived ideal. The committees have had to transform a concept into practice – no easy feat, and one made all the more difficult given the limited resources of Parliament as against those of the Executive. The second Parliament offers the opportunity for amendments to the budget process to be made so that the system focuses more clearly on what matters – the outputs created by public spending rather than the public spending itself.

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The Executive, Finance Committee and Parliament are engaged in discussions around the budget process and these discussions will probably lead to an announcement at some point this year. A part of these discussions appears to be around the approach to be taken at each stage of the budget, but other issues may also be under discussion. Many of these issues have been discussed by the Finance Committee at various times since the adoption of the budgeting process, and this article seeks to add to that debate.

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