Written Ministerial Statement

The Scotland Bill

Secretary of State for Scotland: Michael Moore

The Chancellor and I are today announcing changes to the Scotland Bill and accompanying package that will further strengthen Scottish devolution and provide greater financial responsibility to the Scottish Parliament.

The Coalition Government’s Programme for Government set out that the Government would implement the proposals of the Calman Commission. The Scotland Bill currently progressing through Parliament delivers this key coalition commitment.

The Scotland Bill will introduce a new Scottish rate of income tax, fully devolve stamp duty land tax and landfill tax, introduce a new capital borrowing power and extend current borrowing powers.

When combined with the existing tax raising powers of the Scottish Parliament, the Bill will provide Scottish Ministers with a total of £12bn worth of financial powers and it represents the largest ever transfer of financial power from Westminster to Scotland. Through taking on responsibility for raising the taxes required to fund the spending decisions they make, the Scottish Parliament will be more accountable to the Scottish people. Once the measures are fully implemented the Scottish Parliament and Scottish Ministers will have more powers, will be more accountable, and will be better equipped to respond to Scotland’s needs within the United Kingdom.

Since the introduction of the Scotland Bill in November 2010, the Bill has been subject to detailed consideration in both the UK Parliament and the Scottish Parliament. The Bill has successfully passed through Committee stage in the House of Commons and in March 2011 the Scottish Parliament voted overwhelmingly in support of a Legislative Consent Motion agreeing to the measures set out in the Bill, by a margin of 121 to 3.

The UK Government has considered carefully the recommendations made by the Scottish Affairs Committee in the UK Parliament and the Scotland Bill Committee in the Scottish Parliament. It has also committed to listen carefully to any detailed proposals put forward by the Scottish Government.

Based on the evidence received so far, the Government continues to believe that the package set out in the Scotland Bill and the supporting Command Paper meet the objectives of strengthening Scottish devolution within the United Kingdom and in particular providing strong financial accountability to the Scottish Parliament. However, the UK Government has decided to make some amendments to the Bill and supporting package that ensure that Scottish Ministers have greater flexibility to exercise their new powers effectively.

Therefore the Chancellor and I propose the following changes to the Scotland Bill and accompanying package:

- Bringing forward to 2011 pre-payments, a form of ‘cash advance’, to allow work on the Forth Replacement Crossing to begin;
• Removing the requirement for Scottish Ministers to absorb the first £125m of tax forecasting variation within their budget, giving Scottish Ministers more flexibility to decide how best to respond to any variations in tax receipts compared to forecasts;
• Allowing Scottish Ministers to make discretionary payments into the Scottish Cash Reserve for the next 5 years, up to an overall total of £125m, to help manage any variation in Scottish income tax receipts compared to forecasts in the initial phase of the new system;
• Introducing a power in the Scotland Bill which will enable the Government to amend, in future, the way in which Scottish Ministers can borrow to include bond issuance, without the need for further primary legislation. The Government will conduct a review of the costs and benefits of bond issuance over other forms of borrowing, and will consider extending Scottish Ministers’ powers where this does not undermine the overall UK fiscal position or have a negative impact on total UK borrowing.

In addition a number of changes will be made to the non-financial sections of the package:

• Enabling Scottish Ministers to approve the appointments of MG Alba board members;
• Providing for reciprocal consultation between UK Ministers and Scottish Ministers when either makes changes to electoral administration that impact on their respective responsibilities;
• Devolving the power to make an order disqualifying persons from membership of the Scottish Parliament;
• Implementing the findings of the Expert Group appointed by the Advocate General to consider the working of the Scotland Act in relation to devolution issues concerning the Lord Advocate as head of the system of criminal prosecution in Scotland;
• Strengthening inter-governmental dialogue in areas of mutual interest in welfare.

The Government believes the Scotland Bill provides the right balance of additional powers for Scotland. But we will study any further proposals by the Scottish Government based on robust evidence on how these proposals would benefit both Scotland and the rest of the UK.