



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# FINANCE COMMITTEE

Monday 7 November 2011

Session 4

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**Monday 7 November 2011**

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**FINANCE COMMITTEE**

**9<sup>th</sup> Meeting 2011, Session 4**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

- \*Alex Johnstone (North East Scotland) (Con)
- \*Derek Mackay (Renfrewshire North and West) (SNP)
- \*Margaret McCulloch (Central Scotland) (Lab)
- \*John Pentland (Motherwell and Wishaw) (Lab)
- \*Paul Wheelhouse (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

John Swinney (Cabinet Secretary for Finance, Employment and Sustainable Growth)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

Brisbane House Hotel, Largs



## Scottish Parliament

### Finance Committee

*Monday 7 November 2011*

[The Convener *opened the meeting at 11:44*]

### Draft Budget 2012-13 and Spending Review 2011 Scrutiny

**The Convener (Kenneth Gibson):** Good morning and welcome to the ninth meeting of the Finance Committee in 2011, in the fourth session of the Scottish Parliament. I ask everyone to switch off mobile phones, pagers, BlackBerrys and other electronic devices.

First of all, I thank everyone who participated in the very interesting and extremely informative workshop discussions that have just concluded. The Finance Committee is delighted to be meeting in Largs. The purpose of our visit is to continue the committee's examination of the Scottish Government's future spending plans as set out in its "Scottish Spending Review 2011 and Draft Budget 2012-13" document. This morning's workshop session sought to explore the impact of the Scottish Government's spending decisions on the local community and, in particular, how the draft budget will support economic growth through, for example, job creation and tackling unemployment.

In the first item on our agenda, members will report back on those discussions. I invite Margaret McCulloch to report back from group 1.

**Margaret McCulloch (Central Scotland) (Lab):** Group 1 looked at unemployment, capital investment, the budget and preventative spending. However, we had only 10 minutes for the final topic.

Much of our discussion was taken up with the issue of unemployment, which everyone feels is important. For a start, there is a lack of confidence in the construction industry and a feeling that small businesses need encouragement to commit to modern apprenticeships. There are also issues with the quality of individuals leaving schools and colleges and it was suggested that they are receiving no direction on occupations and careers.

It is felt that work experience in schools would be more relevant and structured if it came from the schools themselves; after all, such experience would relate to the career that a pupil was thinking about. We heard of a very good example from the Asda representative in our group who told us that pupils get a City and Guilds certificate at the end of their week's work experience there.

Our discussion on unemployment in North Ayrshire also included the area's infrastructure. For example, the state of roads, including the Irvine to Glasgow route, is disadvantaging everyone in the area and having a knock-on effect on employment.

The group highlighted the fact that 50 per cent of jobseekers are young people and that unemployment in North Ayrshire is above the Scottish national average. It was also pointed out that work experience is really important and should be linked to a qualification, and that there should be more links to employers to find out what they actually need in the apprentices they might recruit. There needs to be more dialogue between employers, the careers service and jobcentres, which would thereby be able to carry out skills matches to match people on their books with the jobs that employers have advertised.

The construction industry thinks that there is a health and safety barrier to its taking on people for work experience and that people simply do not have the skills to take on the jobs that are available. Furthermore, careers service and jobcentre staff feel that they do not understand the career opportunities in the hospitality industry well enough to match people with the appropriate jobs. It is really important that those people know the elements of the various careers that are on offer.

Am I running out of time, convener?

**The Convener:** Not at all.

**John Mason (Glasgow Shettleston) (SNP):** The convener just talks all the time, Margaret.

**Margaret McCulloch:** Although the Waterside Developments Ltd investment is felt to be really good because it created local jobs, concerns about planning were raised. For example, the jobcentre had been linking into training for unemployed people in the food retail industry, but two food companies were refused planning permission, which meant that the jobcentre's efforts were wasted. Finally, on unemployment, it is felt that business development teams in local authority areas need business expertise to engage and communicate with the private sector.

On capital investment, it was pointed out that the area is losing large employers in the science industries and therefore needs major investment in that respect. Moreover, no date has been allocated for construction of the Dalry bypass and the project keeps being postponed. It was also suggested that the A737 be upgraded and the railway improved.

Another problem is that banks are not lending money for new housing and other projects. The group made the good point that housing needs to be provided. Social amenity housing is a brilliant

idea, but it was also pointed out that different people from different walks of life, including professionals, need to be attracted into the area to create a housing market that will regenerate businesses. However, it was pointed out that building new roads does not mean that people will work in the area—they might travel out of the area. There needs to be innovative thinking that attracts businesses to the area and generates work in the economy, so that people will stay here and work here.

People said that consideration should be given to initiatives that will benefit the whole community, to the regeneration of existing run-down sites and to the possibility of incubator units. It was surprising that locals talked about consideration of a nuclear power station as opposed to coal-fired power initiatives.

It was said that there is a lack of specialist skills and quality people in the area to meet the needs of companies such as GlaxoSmithKline, but the point was also made that there are people with existing skills in sectors that have been run down and are closing. We should train the upcoming generation in the high-level skills that will attract the large companies that we need.

We should, it was also said, continue to support green energy and identify gaps in the market, so that we can encourage businesses, for example in the retail sector, to work in partnership to retrain unemployed people. The group thinks that we should consider land for retail units and suggested that we build on the area's heritage and increase tourism at historic sites.

We then talked about the budget. Some people said that we should encourage unemployed people to undertake self-employment initiatives. Spend on such initiatives would be preventative spend and would help people's health. When people are unemployed for more than eight weeks, their health starts to deteriorate and their self-esteem and confidence go down. It would be good if jobcentres had the flexibility to identify that client group and refer people to Westminster's work programme or the Scottish Government's training for work programme.

The benefits trap is a problem. Asda said that it can offer people who are on 15-hour contracts 16, 17 or 18 hours, through overtime, but does not do so because they would lose benefits. The feedback from the jobcentre was that the Welfare Reform Bill will make it more beneficial for people to work.

We talked about the public sector and it was pointed out that, if compulsory redundancies are allowed, it is possible to target the people who are less effective and to retain the good, skilled people who benefit the organisation. The point was made

that the council tax freeze is affecting council budgets. Councils need flexibility to raise council tax, among other things.

We moved on to talk about preventative spend. Did I miss anything, John?

**John Mason:** You have given a very full report.

**Margaret McCulloch:** Am I boring you? [*Laughter.*]

**Alex Johnstone (North East Scotland) (Con):** You are leaving nothing for the rest of us.

**Margaret McCulloch:** On preventative spend, a good example relates to the unemployment spectrum in this area, which involves dealing with aspects of the job market. The Department for Work and Pensions is working with Skills Development Scotland to support people under 18 for whom there has been a severe hardship direction, so agencies are doing more work in a joined-up way to help to combat severe hardship.

I have written down a few bullet points in summary. They are: that infrastructure emerged as a key point; that there needs to be more communication between the public and private sectors to encourage the private sector to employ young people; that the urban regeneration company must be maintained; and that there is 100 per cent support for early intervention. I am not sure what the next thing that I wrote down was about, so I will leave it out. Also, there must be no duplication of initiatives.

A point that was made at the end of the workshop was that consideration should be given to the application of road equivalent tariff to the islands in the area.

**The Convener:** I thank Margaret for that very comprehensive report. John—do you have anything to add?

**John Mason:** No. That was a very comprehensive report. It was excellent.

**The Convener:** I thank the people who participated in group 1.

**Paul Wheelhouse (South Scotland) (SNP):** Thank you, convener. I shall try to rattle through the points of our report. Some of the material has probably been covered already by Margaret.

Group 2 focused first on investment and infrastructure. There is very strong support in principle for capital investment by Government, but concern was expressed that more needs to be done through the procurement process for capital investment in order to ensure community benefit, and that there is more translation of that public investment into providing local jobs, rather than large national contractors taking the employment opportunities. More effort should be put into that.

There is great support for investment in roads and it is felt that the M74 investment has already had an impact. The group emphasised that there should be more investment in telecoms and broadband in order to bring Scotland into the 21st century. Some very interesting examples were given of the potential for pension funds to be invested in social housing, which is seen as a low-risk investment for private sector pensions. The question whether that might attract an increase in the quantum of capital funding into social infrastructure would perhaps merit further investigation.

On private sector investment, there is support in principle for an emphasis on renewables as an opportunity for Scotland as a whole. Some concern was expressed about the efficiency of onshore wind turbines and wind farms; there was, perhaps, greater support expressed for offshore renewables—wave, tidal and offshore wind—in that discussion. It is fair to say that it is not a universal position, but I want to accurately reflect our debate.

I shall take the college sector, higher education and modern apprenticeships together—learning for young people. The view was expressed that greater efficiencies are deliverable in the college sector, although the settlement is particularly tough. It is also felt that, to some degree, mergers are now inevitable and, although there is support for the post-16 reform agenda in general terms, the likelihood was highlighted that there would be some job and, potentially, course losses as a result of the financial settlement that the college sector faces.

On higher education, there are divergent views on the validity of free education at that level. Some participants feel that it is entirely reasonable for people to pay for their education because they can recover that cost through higher earnings later in life and that, therefore, it is more about the perception of facing higher costs. Others said that they feel quite strongly that having to pay would act as a deterrent to families on lower incomes sending children on to higher education, but recognition was expressed that there are tough choices to be made in the current situation which, to a degree, reflects changes south of the border.

On modern apprenticeships, it is felt extremely strongly that employer linkages are vital and that it is crucial that employers be involved in modern apprenticeships because learning on the job delivers more practical skills and greater general employability than does learning purely in the classroom. There was, in the group, a sense that some candidates who come forward for apprenticeships are ill prepared for the world of work and concern was expressed about the withdrawal of level 2 apprenticeships at local level,

particularly by one of the businesses that has traditionally been heavily reliant on them. There is also worry about the transition when someone finishes their modern apprenticeship: is there sufficient support to ensure that they continue from that apprenticeship into work at the end of the qualification? They may just drop off the radar and be replaced by another modern apprentice. That was a practical issue that was raised.

12:00

We had an interesting discussion about different models of volunteering and ensuring that it happens. A proposal was made that there should be more emphasis on models such as time banks, whereby unemployed individuals who have skills can trade them as part of a barter system or alternative currency. A time bank enables people to remain economically active even though they are not directly employed because they can exchange skills with others who are in a similar position. There are a number of such models and the committee has been drawn to review some of the work that has been done. Ross Burnside has taken that on board.

On the wider public sector finances, we discussed the pay freeze. It is felt that it has helped to prevent job losses. An example from an organisation was given: if there had been a relatively modest increase in pay in the final year, a number of individuals in that organisation would have become unemployed. The pay freeze has already helped to save jobs and was welcomed in principle because it keeps down pressure on other budgets.

On public sector efficiency more generally, most of group 2 believe that the health sector still has relatively substantial inefficiencies to be worked through and that there is scope for savings. It is also felt that local government has scope to make financial efficiencies, but it was argued that there needs to be more openness about the scale of savings that can be made there. Concern was expressed that the less politically acceptable solutions are being put forward in order to force folks' hands into not going through with them.

On preventative spending, there is strong support for community planning partnerships, which are generally seen to be working well. There is a view that they are open to working with other organisations but that they are dominated by local authorities. If they are largely seen as extensions of local government rather than as genuine partnerships of equals, that needs to be addressed. There is strong support for the principle of preventative spending and group 2 felt that it is an important criterion for spending decisions in the future.

We had a lengthy debate about the value of universal benefits and the social wage more generally. Some of group 2 argued that there should be more means testing and that people who are able to pay should be forced to pay, but there was also recognition that some universal benefits, such as free prescriptions, can play a part in the preventative spending agenda by helping to prevent acute hospital admissions. They could therefore end up saving money rather than costing money, so it is not necessarily a black-and-white issue.

On preventative spending more generally, we heard examples of local implementation of the change fund for older people's services. Projects are being put in place in the Ayrshire area to reduce emergency admissions and to try to prevent bed blocking, but a concern was raised that that change fund is taking too long to implement. In theory, the money is to be spent by the end of March next year, but some of the work has not started yet. There is an issue about its deliverability and there are changing expectations about how quickly we can implement some of the projects, whether due to bureaucratic delays or delays in implementation at ground level.

**The Convener:** John, do you have anything to add?

**John Pentland (Motherwell and Wishaw) (Lab):** No. That was comprehensive feedback.

**The Convener:** Thank you for that detailed report, Paul. I also thank the members of group 2, who contributed so enthusiastically and energetically.

Feedback from the third group is apparently going to come from a double act of Alex Johnstone and Derek Mackay. Derek, would you like to begin? We will then move on to Alex's contribution.

**Derek Mackay (Renfrewshire North and West) (SNP):** On hearing that Alex Johnstone and I would do a double act, a few comparisons have been made. Those include Laurel and Hardy, Little and Large and now Morecambe and Wise. Of course, Alex and I represent different ends of the political spectrum, with Alex being a Tory and me being in the Scottish National Party, but we had a great balance on the group and there was also a mixture of private and public sector people, which helped to engender a good discussion. I will not repeat many of the comments that have been made.

In relation to the budget and economic recovery, we focused on youth unemployment. If anything was a constant theme, it was youth unemployment, skills and opportunities. There is recognition that secondary 1 and 2 are an important time for people's choices. There is no

point training people if there are not adequate jobs at the other end.

There must also be recognition that policy decisions have different impacts across the country. For example, it was suggested that in Ayrshire there is an imbalance between the public and private sector opportunities that are available, so the tools that are used can have different outcomes.

We hear constantly that partnership working is crucial, but it is vital that people understand one another's needs and that the third sector, the private sector and the public sector work in partnership. There must be no protectionism and no working in silos; we must genuinely work together. On that theme, there was a debate about compulsory redundancies. Is a policy of no compulsory redundancies the right policy tool? Does it ensure that there is adequate change? There are a range of views on that.

The imbalance between the public and private sectors was touched upon. There is recognition that specific growth sectors need to be targeted in certain areas. Who provides a service best should be the rule of thumb, rather than keeping things as they have always been.

Employers' ability to take up apprenticeships is an issue. Perhaps more support could be provided through financial subsidies.

Procurement also came up in group 3. There was clear support expressed for a social return on investment and for local benefit and the view was that it requires Government direction rather than waiting for it to happen organically.

There was debate about whether capital spend is a wise use of resource, because it will mean a greater impact on revenue budgets, especially given that those who take the revenue pain do not necessarily see the capital gain. There is a view that there needs to be wider awareness of other policy and finance tools in the toolkit to enable partners to go forward together. For example, the national health service cannot use tax increment financing, but local government can.

It is also important that there is an understanding of the rural perspective, rather than an urban focus or a central belt focus.

The big debate that we have previously had about whether we should spend money on schools and hospitals or on infrastructure projects came up. There is a view that finance, particularly capital expenditure, would be better spent on infrastructure than on what could be described as shiny new projects.

Alex Johnstone encouraged a discussion on the mutualisation of Scottish Water, so there was some discussion of that. There was also



discussion of short-term decisions being made rather than a long-term approach being taken. There is clear support for preventative spend, but there is also a view that some good preventative spend projects are being sacrificed and that there should be mechanisms to protect them and to protect the opportunity that exists for preventative spend, given the Government's refocusing of £500 million.

New funding streams should be seen as an opportunity but there is, of course, pressure on everybody, given the reductions that we face. There is support for pay restraint at this point because there is recognition that pay increases would probably have meant more job losses, which would be very unwelcome.

We discussed the general redistribution of wealth and the need not only to work within the box that we are in but to think about the issue more widely and to consider the impact on the lowest paid and the disparity between the private and public sectors.

Finally, we managed to start on provision of universal services; it would be fair to say that they will probably be under pressure. Serious concern was expressed about how affordable they are, but they are particularly welcome when they serve a purpose. For example, a view that came across and which had some support was that it would arguably be better that a person seeking work got a free bus pass, rather than a person who is simply older. We had a wide-ranging and useful discussion.

**Alex Johnstone:** That was an extremely comprehensive report. I took a couple of key things from it.

The first was in relation to the role of the voluntary sector in the provision of public services. I often ask whether those in the voluntary sector who provide public services experience difficulties when local government in particular draws in its funding, and whether local government targets its voluntary sector partners for some of the cuts. I got the impression from some people around the table that that may be happening in this area. We need to ensure that there is fairness in the way in which money is being used to provide services using the voluntary sector.

Another point seemed to be a fairly straightforward mathematical calculation when we made it. Significant cuts recently in the number of people who are employed in the public sector in Scotland have been more than offset by increases in private sector employment. However, the obvious conclusion is that the drop in public sector employment is fairly uniform throughout Scotland, whereas the increase in private sector employment is not uniform. It could be assumed

that some areas are benefiting from that trend while others—North Ayrshire perhaps—may be suffering from it.

The other issue that I would like to raise is investment. Although Derek Mackay covered the capital investment situation comprehensively, a view that was expressed at the table was that although people are aware of the potential options for funding, such as non-profit distribution, TIF and joint European support for sustainable investment in city areas, or JESSICA, those opportunities have been relatively slow to mature and, as a result, lay on the table for a while before there was substantial take-up. The view was expressed that the Government could inform and encourage people to take advantage of new opportunities for investment to ensure that we take them up rather than simply wait for somebody else to go first.

**The Convener:** I thank the members of group 3, who did so much work to contribute to the report. In fact, I thank everyone for their contributions this morning. All the committee members have found it to be a really worthwhile exercise, and we have already spoken about repeating the exercise with other groups around Scotland. Ultimately, you are at the coalface of policy decisions and how they are implemented, and how they impact on people you employ or in other ways represent.

The committee is preparing a report that will help to guide the Scottish Government in ensuring that the resources that it has available to it are maximised to achieve the greatest benefit to the people of Scotland.

I draw the public meeting to a close. We will reconvene in public at 2 o'clock. Committee members will be expected back at 1.30 pm because we have two sessions before 2 pm. Members of the public should feel free to attend the public session, when we will be asking questions of John Swinney MSP, the Cabinet Secretary for Finance, Employment and Sustainable Growth. I have no doubt that many of the issues that have arisen this morning will stimulate questions that members will put to John Swinney this afternoon.

There will be a comprehensive report on all the committee's deliberations, which will be available online for anyone who is interested in finding out what conclusions we eventually come to. It will be interesting to see how much of that is picked up by the cabinet secretary over the weeks ahead.

Thank you to everyone who has attended. I am sure that you will have an opportunity to chat to committee members as you leave the room.

12:14

*Meeting suspended.*

13:58

*On resuming—*

**The Convener:** Good afternoon. I reconvene this meeting of the Finance Committee.

This morning, we held some useful and informative workshop sessions with representatives of local organisations, and I am glad that some of the participants have been able to stay for this afternoon's session. On Friday, I attended a very interesting educational event with pupils from Ardrossan academy and Garnock academy, and I welcome pupils and staff from those schools to the public gallery.

Item 2 is to take evidence on the Scottish Government's draft budget for 2012-13 and the 2011 spending review. I welcome to the committee John Swinney, the Cabinet Secretary for Finance, Employment and Sustainable Growth, who is accompanied by two Scottish Government officials: Gary Gillespie, chief economic adviser; and Colin MacLean, director of financial strategy.

I invite John Swinney to make an opening statement.

**The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney):** For the record, I point out that, in Colin MacLean's absence, I am accompanied by Andrew Watson from the finance directorate.

I welcome the opportunity to give evidence on the Government's spending plans. As in previous years, I commend the committee's approach of holding such sessions away from the Parliament, and I am glad to visit the convener's constituency. The fact that Largs was settled on as the venue for this occasion must have come as a great surprise.

The Government has published our spending plans at a time when public finances are under severe pressure. Between 2010-11 and 2014-15, the Government's total revenue budget will be reduced by 9.2 per cent and our capital budget will be reduced by 36.7 per cent in real terms. Reductions on that scale present huge challenges for the Government and the Parliament alike.

As has been the case with previous budgets, I am committed to building consensual support across the Parliament for the approach that the Government proposes to take. It might be helpful if I briefly outline some of the main features of that approach.

14:00

Our spending plans support the vision that was set out in our programme for government and in an updated version of "The Government Economic Strategy", in which we reaffirmed our purpose of increasing sustainable economic growth and our

commitment to the framework of national outcomes that we have pursued since 2007.

The updated economic strategy sets out our priorities for recovery and long-term economic growth. I hope that the additional information that I sent to the committee on 27 September was helpful in clarifying our approach to delivering those priorities. In addition, we have published our pay policy for 2012-13, our responses to the Christie commission and the McClelland review, and assessments of the equalities and carbon impacts of our spending plans. Looking forward, we will publish an updated infrastructure investment plan before the end of this year.

Infrastructure investment is, of course, a central component of our economic strategy, despite the particularly severe reductions that have been made to our capital budget. The spending review maintains funding for core priorities such as the new Forth crossing, the south Glasgow hospitals project and the school building programme. We are taking forward the £2.5 billion programme of infrastructure projects, which will be funded through the non-profit-distributing model; we are using innovative funding mechanisms such as tax increment financing and the national housing trust to lever in additional resources; and we are switching about £200 million per year from resource budgets to support capital investment, including in the health and enterprise portfolios and through the Scottish futures fund.

As a result, over the spending review period, total Scottish Government investment will rise by 13 per cent in 2012-13, a further 4 per cent in 2013-14 and another 6 per cent in 2014-15. No comparable steps have been taken by United Kingdom ministers, and we continue to call on them to increase investment and stimulate the economy as part of a credible plan B.

Our plans confirm funding for a range of other drivers of growth. We are funding some 46,500 training opportunities and, through our opportunities for all initiative, we will ensure that every 16 to 19-year-old in Scotland who is not in work, a modern apprenticeship or education will be offered a place in education or training. Over the spending review period, we will invest more than £200 million in renewables, and we have recently announced additional investment to support skills development in that sector.

I know that the committee has already taken detailed evidence on our approach to business rates. Let me restate the Government's position. We are maintaining the most generous package of reliefs that is available anywhere in the UK, worth, on average, more than £500 million per annum over the 2010 to 2015 revaluation cycle. That includes our continuing with the small business bonus scheme, which the latest published

statistics show has removed or reduced the rates burden on 85,200 properties. We will continue to match the business rate poundage that is set in England.

Our approach to Scotland's public services is designed to support our economic objectives and protect Scotland's households at a time when many face substantial challenges. We have protected front-line NHS budgets to support continuous improvement in health outcomes, and we have in place with the leadership of the Convention of Scottish Local Authorities an agreement to an approach to delivering joint priorities, including freezing the council tax, maintaining police and teacher numbers, and improving adult social care. We are tackling fuel poverty, and we will deliver our commitment to provide more affordable housing.

There are two particular themes that guide our long-term approach to public services. First, we will continue to drive our programme of efficiency and reform, which includes the establishment of single police and fire and rescue services, reform of post-16 education and greater integration of services at the local level. In addition, I expect all public bodies to deliver significant further efficiencies by drawing on, in particular, the McClelland review's recommendations.

Secondly, we are driving a decisive shift towards preventative spending, which I know has been a particular focus for the committee and on which I would welcome its views following its recent round-table discussions. Our approach will involve national and local government delivering more than £500 million of investment in preventative spending through the funds that we have established on care for older people, early years and reducing reoffending. We aim to drive up the quality of outcomes, to tackle more effectively some of Scotland's most deep-seated policy challenges and to secure better value for money in the long term.

I believe that the spending review represents a bold and ambitious programme of investment in our people and our infrastructure in the context of the most challenging financial environment that Scotland has faced since devolution.

We have had to take some tough decisions in relation to the review. In particular, we are continuing with our policy of significant pay restraint, including a pay freeze for all but those on the lowest incomes. Through that approach, we can protect public sector employment and its contribution to Scotland's economy. We are delivering on our commitment to apply a Scottish living wage and I have also confirmed the Government's commitment to public sector pensions that are affordable, sustainable and fair and our opposition to the UK Government's policy

of increasing employee contributions. We are, of course, considering the UK Government's latest proposals.

We are cutting organisational running costs across the public sector, including an 18 per cent reduction in the Government's administration budget. We have thought carefully about the scope for raising additional income and the contribution that that can make to our preventative approaches. As part of that, we have set out proposals for a public health levy on large retailers of alcohol and tobacco and we are taking forward the reform of empty property relief.

I hope that that gives a flavour of the contents of the spending review, which I look forward to discussing with the committee this afternoon.

**The Convener:** Thank you very much. Before I ask for questions from the rest of the committee, I have some of my own. I am glad that you touched on preventative spending because, as you know, the committee has spent a lot of time taking evidence on that issue. I want to kick off straight away by talking about national leadership. The Scottish Council for Voluntary Organisations emphasises in its evidence that a factor in making the shift to preventative spend is

"political will and leadership to drive the agenda forwards and overcome opposition from vested interests."

Does that political will exist, and how will you overcome opposition to the preventative spend agenda from vested interests?

**John Swinney:** I can certainly confirm that the political will exists. I made it clear to Parliament that when the Government considered the foundations of its spending review back in June, ministers decided, notwithstanding the financial challenges that we faced, to ensure that part of the content of the review would involve a significant shift in the direction of preventative spending. As we wrestled with the choices and challenges of the spending review, the Cabinet remained absolutely committed to delivering that outcome. The announcements that I made in September illustrate the significance of the commitment made by ministers.

The quote you cited raises fair issues about the degree of resistance to such an agenda. I do not think any resistance is based on a disagreement about the approach that should be taken, but there are some obstacles, which are driven by the fact that it is always difficult to change spending priorities. It is even more difficult to change spending priorities when money is tighter. To do so requires political will, and what has impressed me about this whole debate in recent years—this is testament to the effectiveness of the parliamentary committee system—has been the fact that there is pretty clearly a strong view in

Parliament, evidenced through the inquiry undertaken by the predecessor Finance Committee, about the importance of preventative spending. I well remember the parliamentary debate on the issue before the election. It was a very powerful debate that left me with the strong sense that if I was to return as finance minister after the election, the subject would be a recurring part of parliamentary debate.

Our local authority colleagues made a substantial argument to the Christie commission in favour of preventative spending. I therefore think that, as a consequence of the strong parliamentary will, the clear endorsement of the approach by our local authority colleagues and the determination of the Cabinet to address the issue, we can make progress. The committee will attest as the years go by as to how effective we have been in meeting that challenge—and I believe that the challenge exists.

You asked me how I intend to overcome some of the obstacles. I will do so by the persistent application of the principles of the Government's approach in the spending review. That approach will be taken forward both by ministers in their directions to the organisations that they have the power to direct, which will encourage those organisations to move towards such an approach, and in the development of the partnership between national and local government, with both working collaboratively on shared outcomes. One such outcome will be a greater focus on preventative initiatives to interrupt some of the costly areas of public service delivery that are affected by some of the deep-seated problems in Scottish society.

**The Convener:** Thank you. You talked about the application of principles. However, in its written evidence, Children in Scotland says:

“At the moment, there are no adverse consequences for public bodies that fail to deliver an adequate level of positive change and no real incentives to meet or exceed stated targets.”

How do you intend to ensure delivery?

**John Swinney:** There is a choice, and that quote contains the suggestion of two mechanisms: incentive and punishment. I will explore the punishment mechanism first. I do not think that there is a compelling or practical way to go about that. What would we do? Would we withdraw funding from a body that did not go down a preventative spending route? I am not sure that that would be practical for some of the services on which individuals depend. I do not think that the punishment route has a credible practical manifestation.

The incentive route is a different matter altogether. Let us look at the change fund for older

people's services that the Government introduced for the current financial year. An organisation did not get access to any of the money unless it was able to demonstrate a programme that supported change in the delivery of public services and involved some cross-collaboration between a number of different public bodies or providers such as those in the third sector. From what I see of the programmes that have been supported by the change fund to date, I am impressed by what has been achieved and by the character of the projects that have been successfully brought forward. The opportunity exists to ensure that that mechanism of incentivising through the different change funds brings a change in practice within organisations.

There will be a heavy focus on that in all the dialogue that ministers have—both the dialogue that I lead on behalf of the Government with local authorities and the dialogue that my colleagues lead directly with bodies that are responsible to ministers, especially health boards in their relationship with the Deputy First Minister. We have in place the mechanisms to enable us to give life to that agenda, to which the Government gives the highest priority.

**The Convener:** An issue that came up strongly this morning was that of capital spending. As the Westminster Government has cut Scotland's capital budget by 36.7 per cent over the piece, you have made the decision to increase capital spending by £200 million a year, funded from resource spending. How will you ensure that all areas of Scotland benefit from that switch and that the gap between the more prosperous areas and the less prosperous areas of Scotland does not widen? There are concerns that, whereas resource spending may have an impact across the whole of Scotland, expenditure on capital projects may be unevenly spread.

14:15

**John Swinney:** The Forth replacement crossing comes to mind, as it is a large-cost item that, by its nature, is concentrated in one part of the country. However, I do not think that that limits its economic impact, which, through the supply chain to the project, will be comprehensive within Scotland and felt further afield.

We arrive at our capital programme by a process of prioritisation. The first element of that process is the identification of the national priority projects. One project within that grouping is the Forth replacement crossing; another is the south Glasgow hospitals project; a third is the Scottish Water programme; and a fourth is the school building programme, which is spread across the country.

The fifth element is the local government capital budget. We have assured local government that from next April and over the remaining four years of the session it will receive 28 per cent of the capital budget that is available to the Scottish Government. That guarantees a certain amount of capital expenditure in all localities of the country, which will obviously be enhanced by capital expenditure on specific projects that are additional to the priority projects that I mentioned.

As I came down to Largs from Edinburgh today, I looked at the way in which the Government has managed the capital programme over the past few years and I was struck by a particular example. There are some vivid symbols of the investment that the Government has made in capital investment in the past four years, not least of which is the completion of the M74, which will substantially ease the pressure on the Kingston bridge and on the M8 in the centre of the Glasgow conurbation. It will also clearly provide better connectivity to this part of the world. There is also the completed Airdrie to Bathgate rail link, which runs into Mr Mason's constituency.

Substantial elements of the capital programme have been designed to support key parts of the country and to improve our transport connectivity. Clearly, as we go forward with the capital programme, we will look at projects to ensure that we maximise the economic impact on Scotland. That is one of the characteristics of decision making in the Government's programme.

**The Convener:** Thank you very much. I now open up the discussion to questions from committee members. Alex Johnstone will be followed by John Mason.

**Alex Johnstone:** I will start with a fairly short question. In 2010, because of the timing of the UK Government's spending review, you got the figures very late but you managed to produce level 4 figures in that fairly tight timescale. This year, it was noticeable that the level 4 figures were slow to emerge and that they did so sporadically over a period of weeks. What was the reason for the delay in the production of the level 4 figures?

**John Swinney:** I would not say that the level 4 figures were produced sporadically for committees. I gave a commitment that they would be available before each committee considered evidence from ministers on the budget. However, the Rural Affairs, Climate Change and Environment Committee got its information particularly early because Mr Lochhead happened to appear before that committee much earlier in the cycle than other ministers appeared before other committees. I appeared before the Local Government and Regeneration Committee and the Economy, Energy and Tourism Committee last

week, and both committees had the relevant information in advance of my appearance.

Level 4 detail requires a certain amount of confirmation before it can be released. For the 2011-12 budget, because time was very much against us, I took a decision to dispense with some of the dialogue that normally takes place on level 4 detail to ensure that the information could be delivered timeously to committees. If I had not done that, committees would probably have had to complete their budget scrutiny process without the level 4 information. What has been delivered this time reflects the need to ensure that we have proper dialogue with many of the subsidiary organisations that act on our behalf in order to advise them of their financial position and to discuss any relevant issues before the Government confirms that position to Parliament.

**Alex Johnstone:** Could any of the information have been released earlier than it was, or was it released as early as possible?

**John Swinney:** I am guessing, but it would probably have been possible to share some of the information earlier. However, that would have depended entirely on where individual cabinet secretaries were in their dialogue with stakeholders after they had agreed their budget with me and it had been published for the Parliament. I point out that the level 4 information does not form part of the Parliament's formal budget process but is made available in addition to the information that is required of the Government. We produce it to try to assist and facilitate discussion within the parliamentary system.

**John Mason:** Good afternoon, Mr Swinney. We have spent a lot of time on the very interesting preventative spending area. I think that we are all signed up to that approach, but there are questions about the practicalities of how it will work out and about leadership.

Some local organisations and witnesses who have come to us have tended to say that leadership from the centre is needed, but you are committed to keeping things as decentralised as possible, as we are. It seems that things are a little bit patchy throughout the country. Do you think that it depends a wee bit on personalities, and that in some areas of the country where health, local authority and other leaders have got on well together, they have been able to do a lot of collaborative work together, share services and move to preventative spending, whereas things have not worked quite so well in other areas? It seems to some of us that that is the case.

**John Swinney:** I am convinced that, if we designed the preventative spending programme in St Andrews house and required it to be rolled out in every locality in the country, it would not work.

There is a difference between leadership and designing every intervention that has to be made.

The Government expresses leadership in attaching the degree of significance to preventative spending that runs through the entire spending review document. If its approach is to be meaningful, it must be reflected in the interventions, actions and approaches of every single minister in their work on behalf of the Government for the remainder of the parliamentary session and for some time thereafter. I gave the convener a commitment on that when I answered his first question. We cannot have a flash-in-the-pan approach to preventative spending. People cannot say, "He announced it on the date of the spending review, and we never heard anything more about it." There will be a persistent agenda for ministers to reinforce the importance of preventative spending throughout the country.

The success of our preventative spending approach depends heavily on the extent to which individuals and organisations are prepared to be active participants in the agenda. I have been concerned that I occasionally encounter people who are very involved in the public services and who give me a sense that they are waiting for authorisation to do certain things. I do not understand why that is the case, as a clear signal has been given on many aspects of public service reform. However, people still wait for authorisation from a more senior level. The Government is not waiting for that. Many preventative spending interventions will be the product of good thinking by public servants at the local level who know their communities and the circumstances well, and can find better ways in which organisations can utilise resources to deliver better outcomes. I hope that, as a result of the Government's approach and the message that I have just conveyed to the committee, which ministers are regularly conveying across the public sector, our public servants will have a greater sense of empowerment to progress the changes and innovations that we all believe will have a significant effect on the wellbeing of Scotland.

**John Mason:** If, in a particular area, players such as the local authority and the health service are not progressing that agenda, is there anything that you can do at the centre to put pressure on them?

**John Swinney:** Of course. There is a lot that we can do. Obviously, health boards are directly accountable to the Deputy First Minister, who has made clear the direction of travel that is to be undertaken. I have very good relationships with all the local authorities in Scotland, and the Minister for Local Government and Planning, Aileen Campbell, and I regularly talk to all our local

authority colleagues. I am confident that, if we encountered difficulties in relationships on particular issues, we would be able to host dialogue that would resolve the questions.

There are very good examples of good initiatives throughout the country. Highland Council and NHS Highland, for example, have recently come to an agreement on the health board taking the lead in elderly care and the local authority taking the lead in early years interventions—every time that I give that example, I have to think about it. That is a practical and sensible approach that each body is taking, and they are working together to their strengths. There are many other examples throughout the country of good initiatives.

**John Mason:** There is also the question of disinvestment. If we put more resources into early years, does that mean that we take resources away from elsewhere? How can we do that? Everyone has ideas based on the assumption that if we spend £1 now, it will save us £8 or £9 later on, but that means that we must try to cut acute services at this stage.

**John Swinney:** We will use the older people's change fund to invest in the way that we have been investing with the objective of reducing the requirement for acute care interventions at a later stage. There is a clear financial relationship between the two elements.

The question that lies at the heart of that challenge is how much we can deliver at a time when budgets are under so much pressure. I am confident that our approach in the spending review is sustainable and effective. It will enable us to make significant progress in the journey, and to manage the spending pressures—pressures that we will eventually avoid if we are successful in taking such a course of action.

**Paul Wheelhouse:** Good afternoon, cabinet secretary. You may be aware that, a couple of weeks ago, we had a robust session on non-domestic rates with Professor Jo Armstrong and Professor Jeremy Peat. At the time, I raised concerns about how some of the information had—perhaps unwittingly—been misinterpreted by our friends in the media.

I want to clarify and confirm my understanding of how the figures, including the £493 million, are broken down, so that we understand where the increase in the overall tax take from business rates—as opposed to an increase for individual businesses—is coming from.

My understanding is that £280 million of the £493 million reflects increases in line with the retail prices index and English poundage, as a similar approach is being taken south of the border; that the retail levy on businesses that sell alcohol and

tobacco would generate £40 million; and that the reform of empty property relief would generate £18 million.

The issue that provoked most debate involved the assumptions about uplift in buoyancy and the estimate for appeal losses, which I have down as £155 million. Will you confirm that those are the assumptions in relation to how the figures are split?

Will you also respond to the comments from the eminent professors about the assumptions of growth that are inherent in the figure of £155 million? They seemed to suggest that that figure might be unrealistic. Do you have a view on how robust those forecasts can be?

**John Swinney:** It is crucial that we recall that the figure of £493 million is the difference between the estimated business tax take in 2014-15 and the tax take in 2011-12. It is made up of the four components that Mr Wheelhouse has mentioned.

I openly confirm that there are two tax changes that will contribute to that difference: the retail levy, which will generate £40 million, and the reform of empty property relief, which will bring in £18 million. The remainder is accounted for by the impact of matching the English poundage through linkage to the September retail prices index and the uplift in buoyancy arising from economic growth.

Mr Wheelhouse asked me how robust those estimates are. I have a bit of form in predicting—with advice—non-domestic rates income over the past four years, and I am quite confident about the assumptions that I have made. The projected estimates are on a sound footing.

14:30

In 2008-09, in the depths of the economic recession, when every other tax take in the United Kingdom was falling, business rate income in Scotland—because of economic buoyancy—increased by 0.91 per cent. Even in the depths of the economic difficulties of 2008-09, when UK tax revenues were collapsing left, right and centre, business rate income—because of economic buoyancy—continued to rise by 0.91 per cent in Scotland. The assumptions that I have made going forward are completely prudent; I would not have made them if I did not think that they were prudent, so we can be confident about them. We will of course continue to monitor them as each year goes by, because we will have an outturn figure for each year as we go through the spending review period.

**Paul Wheelhouse:** Thank you for that helpful answer. I asked the question because there was a suggestion that local government would be more

exposed to changes in non-domestic rates because that source of income is growing as a proportion of local government's total revenue base. From what you have said, it sounds like you are fairly confident about the projections for buoyancy and appeal losses. Can I take it that, in your opinion, the suggested potential risk of a fall in income has been exaggerated?

**John Swinney:** The assessment that I have set out is a robust assessment of the income that is likely to come in as a consequence of non-domestic rates. The assumptions are set very conservatively in relation to our economic circumstances. The example that I cited of the 2008-09 experience is the type of information that should perhaps have been considered in assessing whether there was any issue to raise about the non-domestic rates estimates that I have made. Of course, that information is in the public domain and is readily available for anybody to see, so I am a bit surprised that it did not feature in the assessment to which Paul Wheelhouse refers.

**Paul Wheelhouse:** Can I just ask one short final question on the same subject?

**The Convener:** Okay. Then I want to take supplementaries from John Pentland and Derek Mackay.

**Paul Wheelhouse:** I just want to confirm my understanding that no business that currently occupies a property will face any increase—unless it happens to qualify for the public health levy—other than in relation to RPI.

**John Swinney:** That is correct. For completeness, I should say that when I commit myself to a non-domestic rates number, I assure that number for local government. I have to provide that money to local authorities; the risk is not carried by them.

**The Convener:** I will take supplementaries on that specific point from John Pentland and then Derek Mackay before we recommence general questioning. I will take questions from Margaret McCulloch after those two gentlemen.

**John Pentland:** Cabinet secretary, you said that you had made a prudent assumption in relation to non-domestic rates. If that prudent assumption does not deliver the figure that you are looking for, can the committee assume that you have a contingency plan in place for any shortfall that might arise?

**John Swinney:** Any assumption that I make is based on sound evidence and a strong assessment of the likely circumstances surrounding economic performance. The figures for the resources that I think are capable of being delivered as a consequence of the changes that I have made are, in my estimation, robust. As I said,

we will monitor that situation as we go through the spending review period, because we get outturn information for each given financial year, which allows us to be informed about the pattern of developments in relation to business rates.

**Derek Mackay:** I think that the cabinet secretary has already covered this, but will he confirm that if the non-domestic rates income does not perform as expected, he will absolutely guarantee the three-year settlement to local government?

**John Swinney:** Yes. That is what I set out.

**Margaret McCulloch:** I have two questions for you, cabinet secretary, although I do not know whether I will be allowed to ask them both. I will start, anyway.

The modern apprenticeship programme is close to my heart, as I previously worked in that area and with the training for work and the new deal programmes. I have seen the benefits of the modern apprenticeship programme, but I am concerned about the number of available places. Given the uptake of the programme among young unemployed people, there might not be enough employers who are willing to recruit new staff so that young unemployed people can access the programme. The employers incentive bonus of £1,000 a year is available for employers who take on new staff. However, I have spoken to employers who do not feel that that is enough. Their businesses are not generating enough work for them to justify taking on more staff. Can you do anything to support small and medium-sized employers to take on more apprentices?

From speaking to small and medium-sized businesses over the past few weeks, I know that the small business bonus scheme is a help to them. However, if businesses are getting a bit bigger and want to expand, it is a big jump when they are no longer eligible for the small business bonus scheme.

My two questions are, first, can you do more to help young people to access the modern apprenticeship programme? Secondly, will you consider doing more to help SMEs, which I believe would help to stimulate the economy?

**John Swinney:** Those issues are fundamental to ensuring that we deliver opportunities to improve the life chances of our young people. Ministers take that issue seriously. Margaret McCulloch's first question was about providing adequate employment opportunities to anchor apprenticeships. The best answer that I can give, which is in no way flippant, is that we have done that so far, although, as the challenges in the economy continue, we must be constantly mindful of whether we can continue to do that. To nail my colours to the mast, I am confident that we will achieve the total of 25,000 apprenticeships in this

financial year. Obviously, we will consider any areas in which we can encourage and incentivise performance.

As a consequence of last year's budget discussions, we started the employer recruitment initiative, which is designed to make it easier for small businesses to employ people, particularly businesses that have the appetite to recruit staff and to grow but for which the process of employing somebody else feels like a step too far. I understand some of those challenges. The employer recruitment initiative, which is designed to give focused support, is one of the range of interventions that we have made to support the small business community.

We are confident in the plans and in the ability to place individuals who require opportunities, but we keep the issue under constant consideration. If members have suggestions about how we might be able to assist with performance, the Government would be happy to consider them.

**Margaret McCulloch:** At this morning's workshops, the group that I was involved with talked about over-20s who are unemployed. I know from first-hand experience of people who are long-term unemployed that they lose their confidence, self-esteem and skills, which makes it more difficult for them to get back into the jobs market. I understand that people have to be unemployed for six months or more before they can access the Government's training for work programme. Is there leeway in the programme for the jobcentre and other organisations to identify early, perhaps at the eight-week mark, people who will find it difficult to get a job?

Many people can access jobs by themselves fairly quickly, within the first six months, but there is a group within that who find it more difficult; as time goes on, it becomes harder and harder for those people to get a job. Looking at the issue from the point of view of preventative spend, could we tackle the people whom Jobcentre Plus and the other agencies identify as likely to be furthest from the labour market by introducing an initiative that would enable them to access the training for work programme sooner rather than later?

**John Swinney:** Margaret McCulloch gets into an area that preoccupies a lot of my thinking, because it also involves the relationship between the activities that are the responsibility of the Scottish Government and those that fall under the responsibility of the UK Government through Jobcentre Plus. I spent quite a lot of time over the summer, since the employment responsibility was added to my duties, encouraging a process whereby, from the perspective of the person who is remote from the labour market, which Margaret McCulloch rightly raises as the important consideration, no matter who supports, advises,



guides, trains and encourages them, they experience a seamless service.

I have had discussions with the UK employment minister, Chris Grayling, and the Secretary of State for Work and Pensions, Iain Duncan Smith, and also with the Secretary of State for Scotland. He and I have made it a priority to ensure that the Scottish Government, in presiding over interventions to support individuals in the category that Margaret McCulloch mentions, works co-operatively with the UK Government, particularly because of the new relationship to the work programme, which now has more significance in this area of activity.

As a consequence, the Secretary of State for Scotland and I will jointly meet the Scottish employability forum to reaffirm the message about collaboration and alignment that is fundamental to the debate. The worst thing for an individual who is remote from the labour market is for them to summon up the courage to enter the system only to be told, "No, sorry, you're in the wrong place. You have to go down the road."

**Margaret McCulloch:** It happens.

**John Swinney:** The member is right. It happens, and it is a negative consequence. We are reinforcing the message on alignment and trying to ensure that the interventions that we all have in place are appropriate.

My final observation on the subject is that it is even more difficult for people who are already remote from the labour market to get into it, because of the economic conditions in which we are living. The requirement is therefore for us to ensure that, despite all the difficulties, the focused support that is needed to motivate those individuals is properly given to them. It remains an essential part of the Government's programme that we do that. The provision for those individuals will be much greater, more complex and more demanding than the provision for someone who loses a job on a Friday and gets one the next Friday. We have to recognise that the demands are greater, respect that, and ensure that the support is in place.

**Margaret McCulloch:** You mentioned the Department for Work and Pensions and the work programme. Am I correct to say that the training for work programme is funded by the Scottish Government, which can make the eligibility rules for which individuals can enter the programme and when? If so, will you consider looking at the people who are disadvantaged and furthest from the job market and giving them earlier access?

**John Swinney:** I might have to write to the committee, because I am going into a space in which I do not have all the details at the front of my mind. However, one reason why we cannot do

what Margaret McCulloch suggests is that the territory is essentially occupied by the UK Government's work programme and the contractors who are involved in that activity. That is not about passing the buck. It is about ensuring that the right interventions are in the right place. If I have to correct myself to the committee, I will do so.

14:45

If Margaret McCulloch is concerned about anything specific—clearly, she is concerned about these questions—I ask her to write to me and I will explore the issue. I will be happy to meet her to consider the issues that she raises, because providing support for hard-to-reach individuals is a priority for the Government. That brings with it many advantages: we could call it preventative spending as well, quite easily. There is an advantage for us in that respect, so I am happy to hear more on the question.

**Margaret McCulloch:** Thank you.

**Derek Mackay:** We have heard witnesses, today and on other occasions, talk about projects that could be described as having a preventative nature already being sacrificed because of the tight financial frameworks in which we are operating. How can the Government ensure that the very welcome £500 million that is to be focused on preventative spend is new money for new projects, good work and good practice, rather than simply substitute funding for what is already there?

**John Swinney:** We have to ensure that we create the right climate in which preventative spending initiatives can come forward. There has been a clear willingness across different public sector partners to embrace that agenda. Given the political leadership that has been demonstrated by the Government, I feel that the appetite to proceed with the agenda and to develop an approach that has a meaningful impact on the lives of individuals in our society is being taken very seriously by different public sector bodies.

The challenge—Mr Mackay will be familiar with this from his experience in local authority budget management—is to ensure that the transition from one year's spending plans to the next is done in a way that protects all the fundamentals of the programme that is being advanced and brings in new elements that are well supported by the available resources. I am very confident that the mood exists within public sector bodies in Scotland that that transition can be managed effectively and that we can build on the existing provision of preventative spending initiatives and develop a range of additional interventions that will help in the process.

Mr Mackay mentioned the £500 million figure that I quoted to Parliament. I would not for a moment suggest that that is all that is being spent on preventative spend in Scotland today; much more than that is already being spent on preventative spending, on good initiatives around the country. We have flagged up the desire to give further impetus to that activity, which has been reflected in the spending review settlement.

**Alex Johnstone:** Before, during and after the election campaign in spring this year, my party highlighted the shortfall in higher education spending relative to expected budgets south of the border. We came up with a number of suggestions on how we might deal with that, but subsequently Mike Russell has ridden up like a knight in shining armour and promised to ensure that higher education spending in Scotland matches that which is available south of the border. We then discovered that he was going to achieve that by ripping the heart out of Scotland's colleges.

At a time when vocational training and support for apprenticeships is vital to what the Government wants to achieve in employment, does the cabinet secretary believe that Mr Russell is doing serious, perhaps terminal, damage to the college system that is required to support that?

**John Swinney:** I see that none of the weekend's events has in any way tempered Mr Johnstone's use of fruity language in debate.

If I may take this back into the realms of reality, the Government has given a very strong financial settlement to the university sector—and so it should do, for two reasons. First, it puts the university sector on an incredibly stable financial footing. The principal of one of the Scottish universities made that point to me this morning at an event in the city of Edinburgh. The university sector here has much more funding certainty than the sector south of the border. Secondly, at the heart of the Government's economic strategy is recognition of the universities' contribution to the research capability of our country and the effectiveness of the universities as key contributors to the economy.

That is the justification for the university settlement. On the college settlement, I find Mr Johnstone's argument a strange one, given that he has encouraged me over the years to focus on examples of duplication, and of efficiency, across the sector. Clearly, there is a case for us to examine the best way of delivering the post-16 education agenda. That is what the Cabinet Secretary for Education and Lifelong Learning has said that he will do.

That focuses on an important and fundamental characteristic that is the learning equivalent of the point that I made to Margaret McCulloch. When

the individual interacts with the learning system, there must be an approach that is appropriate to their needs and requirements—the Government guarantees that as part of the opportunity for all programme. That means that there must be a programme of reform in the college sector. Notwithstanding the language that Mr Johnstone used to characterise that programme, the college sector has given every indication of its willingness to co-operate with the Government in the reform agenda. Of course we want to see a strong, vibrant college sector, but it must tackle the issues of duplication and overlap, focus provision on the needs of individual learners and contribute to the Scottish economy.

**John Mason:** As we are on the subject of colleges, rather than ask what I was going to ask just now, I will ask whether we are happy about the savings that could be made. One of the suggestions is that two or three colleges could come together and that savings would be made on their management and back-room functions. Are we happy that there are serious savings to be made there? I think that members are more relaxed about that, whereas keeping the campuses on the ground is regarded as quite important.

**John Swinney:** It would be counterproductive to fail to acknowledge where some of the physical resources of colleges actually exist and how they are accessible to members of the public. The minute that we start playing around and require people to travel ever greater distances to access education, the more difficult it becomes for people to do so. The Cabinet Secretary for Education and Lifelong Learning quoted figures for savings that had been realised in the college sector and, in particular, the Glasgow colleges. Impressive savings were being made from the co-operation that was going on, and there remains every opportunity for that to happen.

I return to the point that I made to Margaret McCulloch and Alex Johnstone. We must focus what we are trying to achieve in the post-16 reform agenda on satisfying the needs and aspirations of the individuals concerned. That will be at the heart of what the Government aims to take forward.

**John Mason:** Okay, thanks. My main question was—

**The Convener:** I am sorry, but Margaret McCulloch has a supplementary question on colleges.

**Margaret McCulloch:** Mr Swinney talked about post-16-year-olds. At our group discussion this morning, it emerged that quite a lot of people come out of schools and further education establishments not really knowing what job they want to do, although quite a few have the

necessary core skills to make them employable. What will the Scottish Government do to tackle that problem? Modern apprenticeship programmes are offered to young people coming from colleges and schools, but they do not know what to do. Another problem is that some of them do not have the skills to meet employer demand. In addition, a lot of the—

**The Convener:** Excuse me, but this was meant to be a supplementary. That was why I interrupted John Mason's question.

**Margaret McCulloch:** Sorry.

**The Convener:** You can return to your question later. The cabinet secretary can answer Margaret McCulloch's question if he so wishes, then we can return to John Mason's question.

**John Swinney:** We must ensure that two things happen. First, whether people are leaving school or college it is obvious that the skills that they have acquired and the attributes that they have should be strong, quality attributes. If someone comes out of an educational establishment without the necessary skills to hold down a job, there is a failing in the system, which must be tackled.

Secondly, we must get better alignment between what the economy requires and what our colleges are doing. I have many discussions such as the one that Margaret McCulloch probably had this morning, in which employers say that despite the current challenges in the labour market they cannot satisfy their demand for labour, given the skills that are available. I have taken steps to strengthen the process of alignment, through the work of the industry advisory groups, which advise the Government on what is required in different sectors, so that we have a much stronger sense of what skills are required, what opportunities are there and how the college sector can help. Such work is a significant part of ensuring that everything is properly lined up, so that employers' needs can be met locally.

**The Convener:** John Mason will ask his final question, after which I will suspend the meeting for five minutes, to allow the young people from Ardrossan academy to leave.

**John Mason:** I take it that I can have as long as I want, then, convener. [*Laughter.*]

The committee took evidence from the SCVO and others and we heard that how the voluntary sector is treated by its local partners can be a little patchy around the country. I get the impression that in parts of Ayrshire the relationship is good, whereas in other places it is not as good. There is a feeling that when local authorities cut their expenditure they tend to keep money in-house, to protect their employees, so the voluntary or third sector suffers. I am a fan of the voluntary sector.

When we put a pound into the sector, we often get quite a lot more than a pound's-worth back.

**John Swinney:** I pretty much agree with you. The voluntary sector serves the country extremely well and does excellent work. Some of the individuals whom Margaret McCulloch talked about can be best supported by voluntary sector interventions to get them back into the labour market.

The Government is mindful of the concerns that you highlighted. In the previous session of the Parliament, I put pressure on public sector partners to deal more with the third sector, and a common response was, "Who do we deal with?" Given that there is such a rich tapestry of organisations, public sector partners wanted to know who they should talk to. Therefore, I encouraged representative organisations to move to a position whereby we created 32 interfaces on behalf of the third sector—one in each local authority area. The idea, in essence, was to give the third sector a representative voice in community planning partnership discussions at local authority level.

Last Monday I addressed the Voluntary Action Scotland conference, at which the 32 interfaces gathered. I told delegates that I expect the system that I am funding to give the third sector a stronger voice in community planning partnerships, which it can use to promote the role that it can perform in dealing with the major challenges that exist. I also told delegates that if the approach is not working as I expect it to work, I want to hear about that. There is no point in my thinking that we have a model that is operating effectively if the reality is that it is not doing so. I extend the same invitation to the committee. The approach that I described should be operating at local level.

Mr Mason talked about the tendency of public bodies to keep things in-house. Such a tendency can arise if we are not focused on outcomes. However, the public sector's thinking and our efforts over the years in relation to local service provision have been about focusing on improving outcomes, and if we do that we will have the opportunity to ensure that the third sector is properly involved in the design of local public services and has a vibrant role in that respect. The ability to take on such a role is made more possible by the ability of the third sector to contribute through the interfaces that we have set up at the level of each local authority.

**John Mason:** Thank you.

15:01

*Meeting suspended.*

15:05

*On resuming—*

**The Convener:** The next question is from Paul Wheelhouse.

**Paul Wheelhouse:** In previous weeks—in the panel session with Jo Armstrong and Jeremy Peat, and in round-table discussions—we have discussed the sustainability of universal benefits. In the context of the Government's requirement for pay restraint in order to deliver a tight financial settlement, how important is the social wage concept in building confidence in the wider economy, and how important are universal benefits?

**John Swinney:** When a dialogue takes place in a period of spending pressure, people almost automatically say that the first thing we must do is stop universal benefits. The fact that our three-year spending review does none of that demonstrates that we believe the concept to be sustainable. The arguments that we have set out in the spending review document make clear why that is the case.

We are taking the important approach of asking people to make a number of sacrifices, particularly around pay, and I do not in any way underestimate the financial strain that that places on households. However, we must ensure that the interventions that we make are appropriate for the times and the circumstances.

We characterise and refer to that balance as the social wage, which involves the Government supporting its citizens at a time when it is asking those self-same citizens to take some financial pressures. I think that that is the right judgment to make, and we have set out in the spending review document why it is a sustainable proposition.

**Paul Wheelhouse:** This morning, we discussed the principle of means testing and the potential cost of reintroducing it. Can you give the committee a sense of the costs that have been taken out of the system by not having to means test individuals for some of those benefits?

**John Swinney:** I cannot give Mr Wheelhouse a definitive figure today for the amount that the removal of means testing has saved the public purse, but savings and efficiencies will certainly have been made as a consequence. We are moving into a territory that lends itself to greater administrative efficiency. Some of the suspected or suggested gains that might arise from means testing cannot always be delivered because of the administrative costs, which can be a significant burden.

**John Pentland:** Cabinet secretary, I am sure that you will agree that being here in Largs offers a little bit of escapism from Edinburgh.

My questions are quite specific. There is an aim to eradicate fuel poverty by 2016. Energy Scotland has said that an investment of £170 million per year is needed to meet that target, but the Scottish Government has set aside £200 million to 2016. Will that amount help to eradicate fuel poverty, or will fuel poverty still go on?

**John Swinney:** Fuel poverty is a major issue. The Government has committed financial support to assist in meeting that challenge. Equally, the Government is putting in place a number of interventions to try to ensure that others—not least the power companies—make their contribution.

One issue that I wrestle with—I do so not just in relation to fuel poverty, as I am sure Mr Pentland will understand—is how much the public sector should do and how much the private sector should do. I am intent on ensuring that the private sector contributes significantly to tackling fuel poverty. That is why the Government has engaged systematically with a number of fuel companies on increasing their contributions to measures to tackle fuel poverty. That will be reinforced in further discussions that we will continue to have with the sector.

We can take measures in the affordable housing programme, for example, to construct accommodation that takes maximum account of the need for properties to be energy efficient.

The Government's fuel poverty budget contribution is set in that context. Despite the financial constraints that we are under, more resources will be available in the financial year 2012-13 than were available in 2007-08. That indicates the Government's commitment to that significant issue.

**Derek Mackay:** In a week when we are discussing fuel poverty, is it not a national disgrace that it has transpired that Scotland has as much oil to come as has come already but we do not have access to that resource?

**John Swinney:** That point is well made and I heartily agree with it. It is important that the Government is taking a sustainable approach in our energy efficiency policy. We do that by investing in the way that we have and by leveraging the contribution that other players can make. I am happy to answer questions about the Government's contribution, but we must maximise the pressure on others who can contribute to the debate.

**The Convener:** One might add that the debate includes the fossil fuel levy.

**John Pentland:** Some weeks ago, I saw a report that we had taken something like £40 million from a miscellaneous budget to make up another budget. How many miscellaneous budgets does the Government have?

**John Swinney:** The existence of one miscellaneous budget would be a revelation to me. I cannot readily think of such a budget. I do not preside over small miscellaneous budget lines that are available to be mucked about with later. I do not generally have the reputation of presiding over such an arrangement.

**John Pentland:** Perhaps I will come back to that and write to the cabinet secretary.

**John Swinney:** Please do. I look forward to that.

**John Pentland:** The priorities of the Scottish Government and the commitments that it hopes to make have received a lot of media coverage. The bottom line is that we are perhaps spending outwith our means. Will you assure us that that is not the case?

**John Swinney:** I have balanced Scotland's budget for four years. I live within my means and I have had to live within the resources that were available to me. I have a reasonable track record of doing that, which I intend to continue—if only others had done likewise.

**John Mason:** Hear, hear.

**John Pentland:** I will just finish on that point.

**The Convener:** That is a good idea.

15:15

**Alex Johnstone:** You said in an answer a moment ago that we have been asking people to make significant sacrifices, and I do not doubt that for a minute. There are many people in Scotland who, as a result of the budget, will have to tighten their belts for a few years. When we took evidence from Jeremy Peat of the Royal Society of Edinburgh, he suggested that there are some areas of the budget where the Government is passing up the opportunity to make significant financial gains for political or ideological reasons. I could mention other examples, but the most obvious one is Scottish Water. The evidence that we have taken from a number of people has suggested that they believe that, through restructuring Scottish Water, we could make a substantial capital release and significant on-going annual revenue savings that would make a significant difference to the Government's budget over the next four years. Can you assure me that we are not missing an obvious opportunity by not addressing the issue now?

**John Swinney:** I can give that assurance. There is clearly an ideological argument about changing the status of Scottish Water. Mr Johnstone and I have both been around politics long enough to know that that is the case. There is an efficiency and long-term value argument into the bargain. The long-term value argument is essentially captured in the thinking in the Government's "Building a Hydro Nation" consultation paper, which sets out how we can use Scottish Water, which is an organisation that has a substantial asset base and offers substantial opportunities to develop other business propositions that could contribute to the health of the public finances and have an economic impact into the bargain. That is a very exciting prospect that the Government wants to pursue, and it would be short-sighted of us not to take the approach that we are taking to ensure that we deliver that degree of opportunity.

Let me make a final point about the resource base of our country. In the years to come, water will become an immensely contested resource. That is not true merely for the future: we can see the impact of water shortage in different parts of the country. I was involved in a discussion the other evening with an individual with significant global expertise and experience who simply recounted to me the opportunities that are offered to Scotland by its strength in access to renewables technology, its water supply—that might irritate us from time to time, but it is a great strength nonetheless—and its intellectual capital. He marshalled a powerful argument about how they were all great economic assets for Scotland and precious assets for us to take forward. That is the economic and investment argument behind retaining Scottish Water under public control, so that it is able to contribute to the economic wellbeing of the country.

**Alex Johnstone:** I would argue that many of our great national resources have been effectively exploited by private sector companies, generating huge amounts of revenue. We could argue about where that revenue has gone, but it has still been generated. I do not see where there is a disadvantage in taking the opportunity to move to a mutual model and to release Scottish Water from the dead hand of state control, so that the Government recovers the assets that can be recovered in that process.

**John Swinney:** That is where I cannot accept Mr Johnstone's analysis. There is nothing "dead hand" about the control of Scottish Water under the leadership of Ronnie Mercer and the management team, who have led that organisation for some time and taken tough decisions to make it more efficient, to keep customer charges at a low level and to ensure that we have a sustained and efficient investment programme. The

disciplines that are being applied in Scottish Water would not be particularly surprising in a private company and it is able to apply them for the public benefit.

There is another point of Mr Johnstone's analysis with which I do not agree. He says that we can always disagree about where the money has gone from the development of resources by the private sector—you bet we could disagree about where the revenues have gone. The Government is seized of the fact that Scottish Water has a significant opportunity to develop its strength and presence in the Scottish market and to contribute to the economic wellbeing of the country. We should take that opportunity.

**Alex Johnstone:** You are playing the long game and, if we have short-term casualties, that is acceptable.

**John Swinney:** I always play the long game, because I am always interested in the long-term future of the country. However, I do not recognise Mr Johnstone's point about short-term casualties. I could make the point that the biggest cause of short-term casualties in Scotland is the 36 per cent reduction in the capital budget of Scotland by the UK Government. To me, that is awful short-termism, but there we are. Mr Johnstone will no doubt have some influence on that debate, given the strong new leadership that his party has.

**Paul Wheelhouse:** I suppose that we could characterise the debate that we have just had on Scottish Water as being about whether water should be a resource that benefits its private owners versus a resource that might be used for the public benefit. The point that I want to raise is more about accountability. Earlier, you touched briefly on the issue of accountability while Scottish Water is still in public control. Would a freeze in water charges this year have been more or less likely if Scottish Water had been in the private sector?

**John Swinney:** With respect to Mr Wheelhouse, that is a hypothetical question. However, I can say that household charges in Scotland are, on average, 10 per cent lower than household charges in England and Wales.

**Alex Johnstone:** Not if you add the taxpayer's contribution.

**The Convener:** Now, now.

**John Swinney:** Household charges are household charges. That is the comparison that I offer to the committee, despite its heckling.

The question that Mr Wheelhouse asks is difficult to answer. However, the answer that I have given demonstrates the strength of having Scottish Water operate in a way that serves the public interest.

**The Convener:** Shame on you, Alex.

**John Mason:** We hear euphemisms such as capital release, which Mr Johnstone used, as if a pot of gold were going to appear on the carpet out of nowhere. However, am I right in thinking that all these devices—the private finance initiative, the privatisation of Scottish Water and so on—are just other ways of borrowing, that someone will have to pay back that debt eventually, that that someone will probably be the consumer and that they will probably have to make profit payments on top of that?

**John Swinney:** If we sold off Scottish Water, it would be a form of capital release. However—if I may use some of the fruity language that has characterised this session—it would be the equivalent of selling the family silver. Any Administration doing that would have to be certain that it would be able to get command of that capital release. Her Majesty's Treasury, which is interested in reducing the country's long-term debt, would no doubt have a perspective, so it could not automatically be assumed that the Scottish Government would be able to command that capital release.

In relation to the other points that Mr Mason raises, of course PFI contracts must be repaid over time. As the budget information demonstrates, we are now spending about £1 billion a year on repaying PFI contracts.

**John Mason:** We are facing a 12.3 per cent cut in our budget this year. Is it your opinion that the UK Government had no option but to impose that 12.3 per cent cut?

**John Swinney:** There is no doubt in my mind that the UK Government would have had to consolidate public expenditure. The question is about the pace. In recent months, the Scottish Government has consistently stressed the importance of encouraging a change in the UK Government's perspective on capital spending in order to get us into a position in which we can invest in the long-term future of the country. The scale of the capital reduction is such that we are operating at £1 billion below the trend capital budget, in terms of core traditional capital expenditure. That is too low, in my opinion, to enable us to invest properly in the infrastructure of the country.

**The Convener:** I will ask you some final questions. The first of those arises from this morning's session. We talked about the innovative financing mechanisms that the Scottish Government has been discussing. On page 29 of the budget document, you talk about

"financing solutions such as Tax Incremental Financing, the National Housing Trust and the JESSICA Fund which will

help lever in additional funds to help take forward key infrastructure investment projects.”

Another one is the regulatory asset base. Concern was expressed this morning about the pace of uptake of those alternative financing methods. Is the Scottish Government planning to do anything to encourage a much swifter uptake?

**John Swinney:** All those mechanisms are in operation. For example there have been good levels of uptake of the national housing trust and, last week, Mr Neil determined on a variety of tax increment financing propositions. Projects take time to get under way under the non-profit-distributing programme. Traditional capital is the swiftest way to get a project off the ground. NPD models take longer because they require a certain architecture to be put in place. However, I am confident that the preparatory work by the Scottish Futures Trust will help enormously in advancing the pace of those developments.

**The Convener:** As everyone knows, Scotland’s population is ageing—quite rapidly, in fact—yet on page 245 of the budget document, it says that the amount of money that is being made available for concessionary fares is projected to fall from £255.3 million to £248.6 million. How do you square the circle between a reducing budget and an increasing population of people who are eligible for concessionary fares?

**John Swinney:** We have been successful in recent years in improving the financial efficiency of the concessionary travel scheme. One of the curious points of my inheritance was that buses did not have the equipment to verify who was paying for what. I found it a bit surprising that such a scheme should be introduced without the technology on the buses to guarantee it. We now have that, which is providing us with valuable information about the utilisation of the concessionary travel scheme and its financial management. We have in the past negotiated with the bus operators the financial envelope within which the scheme would operate. A combination of those measures would support the sustainability of the scheme.

**The Convener:** Where does Scotland performs fit in with the budget document?

**John Swinney:** Scotland performs is an initiative that we took in 2007 to create a framework around which a judgment could be made over time, not necessarily about whether the Government was performing to its commitments—we can all look at the manifesto and judge whether we have done what we said we would do—but about whether the country as a whole was making progress as a result of our interventions. The framework has been helpful in giving us a picture of how the various public, private and third sector

partners can contribute to the development of a performance agenda.

15:30

We are looking at the national performance framework in order to determine whether the indicators are giving us all of the picture that we require. There may be some change in those, which I will communicate to the committee if we decide to go down that route. We intend to maintain the bulk of the infrastructure and architecture of Scotland performs, because it is a long-term performance assessment model and it gives us an opportunity to consider fully and clearly what impact we are making on the variety of issues with which we are confronted.

**The Convener:** Here is my final question. John Pentland and Derek Mackay both touched on fuel poverty. How significant would it be if the Scottish Government could access the £200 million fossil fuel levy money that is currently on account at the Treasury? I do not think that we need to go into the £13.4 billion in oil revenues that is going to the Treasury this year, but what is the Scottish Government’s approach to trying to secure the fossil fuel levy money for Scotland?

**John Swinney:** We have been in regular and persistent dialogue with the UK Government about the fossil fuel levy. The alternative propositions that it has brought forward have not been credible ways of creating the opportunity for that resource to be used as additional to the resources available to the Scottish Government. We persist in those discussions but, clearly, having a resource of that kind available would enhance what the Government is able to do in renewable energy and energy development. That would be a significant strength for the Scottish Government. We have set out firmly in the budget all our commitments in all those areas and we will marshal an argument to the UK Government about how additional resources could have a further beneficial effect on the Scottish economy.

**The Convener:** Thank you. That finishes questions on item 2. We will have a one-minute break to let the officials change over.

15:32

*Meeting suspended.*

15:33

*On resuming—*

## Subordinate Legislation

### Budget (Scotland) Act 2011 Amendment Order 2011 [Draft]

**The Convener:** Item 3 is to consider the Scottish statutory instrument that provides for the 2011-12 autumn budget revision. The draft amendment order is subject to the affirmative procedure, which means that the Parliament must approve it before it can be made and come into force. We have a motion in the name of John Swinney before us, inviting the committee to recommend to Parliament that the draft order be approved. I again welcome John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth, who is accompanied by Terry Holmes, principal accountancy adviser to the Scottish Government. I invite the cabinet secretary to make an opening statement explaining the order. I remind him not to move the motion at this point.

**John Swinney:** This is the first of two planned routine revisions to the budget. The second and final revision will be the spring budget revision, which will be laid in late January. As in previous years, a pattern of authorising revisions to the budget in the autumn and spring is required as the detail of our spending plans inevitably changes from when the budget bill is approved.

This revision takes account of the restructuring of Scottish Government portfolios following the election in May, a decrease in the national health service and teachers pensions budget, a technical adjustment to align the Scottish budget with the accounting required under the international financial reporting standards in respect of the M80 improvement project and the allocation of additional funding that I previously announced at stage 3 of the Budget (Scotland) (No 5) Bill in February. The changes that are proposed in the autumn budget revision result in an increase in the approved budget of £85.7 million, from £33,872.4 million to £33,958.1 million.

Following the election in May, the First Minister made changes to the structure of the cabinet. The resulting impact on portfolio budgets is detailed in table 1.8 on page 9 of the supporting document to the autumn budget revision. There was no effect on the total budget from those changes.

The two material revisions to budgeted expenditure in the Budget (Scotland) Act 2011 are largely technical. A decrease in funding that is required for NHS and teachers pensions of £247.8 million in annually managed expenditure is the result of a change in actuarial factors, in particular the discount rate that is applied to future pension scheme liabilities. Her Majesty's Treasury reviews

the rate annually, and the resulting changes to the AME budgets are therefore required to be made at the autumn budget revision each year.

An adjustment to reflect an increase in budgets outside the departmental expenditure limit of £276.7 million is required for the completion of the M80 roads project. That technical adjustment is non-cash in nature and spending-power neutral. It simply aligns our Scottish budget with the accounting that is required under the international financial reporting standards and the Government's financial reporting manual to present a read-across from the approved budget to our annual accounts.

If we set aside the technical changes, which net to £29.4 million, the budget has increased by approximately £56 million, mainly as a result of the allocation of funding from an additional carry-forward of £30 million from 2010-11 under the budget exchange scheme; an increased estimate of non-domestic rates income of £11.5 million, which I announced back in February; and around £16.7 million from the Department for Environment, Food and Rural Affairs for a transfer of responsibility for animal health and welfare. The other significant transfers in the Scottish block are mostly due to the realignment of budgets within and between portfolios, including a net transfer of £55 million to further education for nursery and midwifery training, and just under £29 million to health for drug treatment and prevention.

There are no further new announcements or new initiatives in the figures that the committee is scrutinising. The revisions reflect decisions or announcements that have already been made.

The brief guide to the autumn budget revision that has been prepared by my officials sets out the background to, and details of, the main changes that are proposed. I hope that committee members have found that guide to be of assistance.

**The Convener:** Thank you, cabinet secretary.

The Scottish Government's website says that the Scottish Government has announced that it does not intend to publish an efficiency outturn report for 2011-12. The website says:

"We will not require each portfolio or each public body to submit separate efficiency plans and we will not undertake quarterly assessments or publish an Outturn Report for 2011-12."

The reason for the decision not to publish an efficiency outturn report has not been given. Can you give us an explanation for that?

**John Swinney:** Essentially, the reason is that we are obviously in a very different financial climate, in which very challenging budgets have been set for individual portfolios and portfolio holders. As a consequence, I took the view that it



would be most effective to focus scrutiny at portfolio level to ensure that individual portfolio holders were able to construct their plans and progress them as part of the efficiency agenda, and that it was not necessary for us to create the type of infrastructure that surrounded the outturn report in the past. Obviously, that was set in the context of a financial settlement in which budgets were rising by significant amounts.

**The Convener:** As members have no questions that they want to ask the cabinet secretary, we will move on to item 4. I invite the cabinet secretary to move motion S4M-01206.

*Motion moved,*

That the Finance Committee recommends that the Budget (Scotland) Act 2011 Amendment Order 2011 [draft] be approved.—[*John Swinney.*]

*Motion agreed to.*

**The Convener:** Are members content for the committee to formally communicate its decision to the Parliament by way of a short report that provides a link to the debate on the matter in the *Official Report* of the meeting?

**Members** *indicated agreement.*

**The Convener:** That was the final item on our agenda. I thank everyone who came to the meeting, not least the cabinet secretary, who has had a somewhat gruelling session. I hope that he enjoyed it as much as we did.

I thank everyone who participated in this morning's sessions, including the young folk from Ardrossan academy and Garnock academy who participated on Friday and today, and who will be at the Parliament next week. This has been a very successful first-ever meeting of a parliamentary committee in Largs. The committee has certainly had a very productive day. I thank one and all for that, and close the meeting.

*Meeting closed at 15:41.*



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