Passage of the

Budget (Scotland) (No.2)
Bill 2005

SPPB 77
Passage of the

Budget (Scotland) (No.2) Bill 2005

SP Bill 34 (Session 2), subsequently 2005 asp 4

SPPB 77
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Foreword

Purpose of the series

The aim of this series is to bring together in a single place all the official Parliamentary documents relating to the passage of the Bill that becomes an Act of the Scottish Parliament (ASP). The list of documents included in any particular volume will depend on the nature of the Bill and the circumstances of its passage, but a typical volume will include:

- every print of the Bill (usually three – “As Introduced”, “As Amended at Stage 2” and “As Passed”);
- the accompanying documents published with the “As Introduced” print of the Bill (and any revised versions published at later Stages);
- every Marshalled List of amendments from Stages 2 and 3;
- every Groupings list from Stages 2 and 3;
- the lead Committee’s “Stage 1 report” (which itself includes reports of other committees involved in the Stage 1 process, relevant committee Minutes and extracts from the Official Report of Stage 1 proceedings);
- the Official Report of the Stage 1 and Stage 3 debates in the Parliament;
- the Official Report of Stage 2 committee consideration;
- the Minutes (or relevant extracts) of relevant Committee meetings and of the Parliament for Stages 1 and 3.

All documents included are re-printed in the original layout and format, but with minor typographical and layout errors corrected. Extracts from the Official Report are re-printed as corrected for the archive version of the Official Report.

Documents in each volume are arranged in the order in which they relate to the passage of the Bill through its various stages, from introduction to passing. The Act itself is not included on the grounds that it is already generally available and is, in any case, not a Parliamentary publication.

Outline of the legislative process

Bills in the Scottish Parliament follow a three-stage process. The fundamentals of the process are laid down by section 36(1) of the Scotland Act 1998, and amplified by Chapter 9 of the Parliament’s Standing Orders. In outline, the process is as follows:

- Introduction, followed by publication of the Bill and its accompanying documents;
- Stage 1: the Bill is first referred to a relevant committee, which produces a report informed by evidence from interested parties, then the Parliament debates the Bill and decides whether to agree to its general principles;
- Stage 2: the Bill returns to a committee for detailed consideration of amendments;
- Stage 3: the Bill is considered by the Parliament, with consideration of further amendments followed by a debate and a decision on whether to pass the Bill.

After a Bill is passed, three law officers and the Secretary of State have a period of four weeks within which they may challenge the Bill under sections 33 and 35 of the
Scotland Act respectively. The Bill may then be submitted for Royal Assent, at which point it becomes an Act.

Standing Orders allow for some variations from the above pattern in some cases. For example, Bills may be referred back to a committee during Stage 3 for further Stage 2 consideration. In addition, the procedures vary for certain categories of Bills, such as Committee Bills or Emergency Bills. For some volumes in the series, relevant proceedings prior to introduction (such as pre-legislative scrutiny of a draft Bill) may be included.

The reader who is unfamiliar with Bill procedures, or with the terminology of legislation more generally, is advised to consult in the first instance the Guidance on Public Bills published by the Parliament. That Guidance, and the Standing Orders, are available for sale from Stationery Office bookshops or free of charge on the Parliament’s website (www.scottish.parliament.uk).

The series is produced by the Legislation Team within the Parliament’s Clerking and Reporting Directorate. Comments on this volume or on the series as a whole may be sent to the Legislation Team at the Scottish Parliament, Edinburgh EH99 1SP.

Notes on this volume

The Bill to which this volume relates was the second Budget Bill introduced in the second session of the Parliament – hence the “(No.2)” in the Bill’s short title. (Note that, since Acts of the Parliament include the calendar year of enactment in their short titles, the “(No.2)” was dropped from the title of the Act.)

Although this volume deals only with proceedings on the Bill, those proceedings should be seen in the context of the three-stage annual Budget scrutiny process. The first stage involves committee scrutiny of the Scottish Executive’s provisional expenditure proposals for the following financial year. Each subject committee reports to the Finance Committee, which then reports to the Parliament. At the second stage, the subject committees consider the Executive’s draft Budget and, again, the Finance Committee reports to the Parliament.

The two Finance Committee reports (in this case, 5th Report 2004 (SP Paper 182) and 8th Report 2004 (SP Paper 257)) and subsequent debates in the Parliament (in this case, on 24 June and 23 December 2004) inform the Scottish Executive’s final budget proposals for the year ahead – the Budget Bill. The Bill itself goes through the same three legislative stages as other Bills, but subject to special procedures under Rule 9.16 of the Parliament’s standing orders. In particular, there is an accelerated timescale, no Stage 1 report is required and only the Executive may lodge amendments to the Bill.

In this case, the Bill was not amended at either Stage 2 or Stage 3. It was therefore passed in its As Introduced form and is reproduced in this volume only in that form.
Forthcoming titles

The next titles in this series will be:

- SPPB 78: Fire (Scotland) Bill 2004
- SPPB 79: Further and Higher Education (Scotland) Bill 2004
- SPPB 80: Gaelic Language (Scotland) Bill 2004
- SPPB 81: Prohibition of Female Genital Mutilation (Scotland) Bill 2004
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5 Borrowing by certain statutory bodies

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Schedule 5—Borrowing by certain statutory bodies
Budget (Scotland) (No.2) Bill

[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2005/06, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for authorising the payment of sums out of the Fund and for the maximum amounts of borrowing by certain statutory bodies; to make provision, for financial year 2006/07, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

PART 1

FINANCIAL YEAR 2005/06

Use of resources

1 The Scottish Administration

(1) Resources other than accruing resources may, in financial year 2005/06, be used by the Scottish Administration for the purposes specified in column 1 of schedule 1—

(a) so far as the use of resources consists of incurring liability in respect of recoverable VAT, without limit as to amount, and

(b) in any other case, up to the amounts specified in the corresponding entries in column 2.

(2) Accruing resources of the types specified in column 3 of schedule 1 may, in financial year 2005/06, be used by the Scottish Administration for the purposes specified in the corresponding entries in column 1 up to the amounts specified in column 4.

(3) Accruing resources in respect of recoverable VAT may, in financial year 2005/06, be used, without limit as to amount, by the Scottish Administration for any purpose for which resources are authorised to be used by virtue of subsection (1).

(4) Accruing resources of the types specified in column 1 of each Part of schedule 2 may, in financial year 2005/06, be used by the Scottish Administration for the purposes specified in the corresponding entries in column 2 up to the overall amount specified at the end of that Part.

(5) Accruing resources authorised to be used by virtue of subsection (3) or (4) may be so used only through the part of the Scottish Administration through which they accrue.
The Parts of schedule 2 set out the types of accruing resources, purposes and overall amounts by reference to the parts of the Scottish Administration through which the resources accrue and may be used.

In this section, references to recoverable VAT are to value added tax in respect of which a claim for a refund may be made by the Scottish Administration under section 41(3) of the Value Added Tax Act 1994 (c.23).

**Direct-funded bodies**

(1) Resources other than accruing resources may, in financial year 2005/06, be used by the direct-funded bodies mentioned in column 1 of schedule 3 for the purposes specified in that column—

   (a) so far as the use of resources consists of incurring liability in respect of recoverable VAT, without limit as to amount, and

   (b) in any other case, up to the amounts specified in the corresponding entries in column 2.

(2) Accruing resources of the types specified in column 3 of schedule 3 may, in financial year 2005/06, be used by those bodies for the purposes specified in the corresponding entries in column 1 up to the amounts specified in column 4.

(3) Accruing resources in respect of recoverable VAT may, in financial year 2005/06, be used, without limit as to amount, by any direct-funded body mentioned in column 1 of schedule 3 for any purpose for which resources are authorised to be used by that body by virtue of subsection (1).

(4) Accruing resources of the types specified in column 1 of each Part of schedule 4 may, in financial year 2005/06, be used by the direct-funded body to which that Part relates for the purposes specified in the corresponding entries in column 2 up to the overall amount specified at the end of that Part.

(5) In this section, references to recoverable VAT are to value added tax in respect of which a claim for a refund may be made by the direct-funded body concerned under section 41(3) of the Value Added Tax Act 1994 (c.23).

**The Scottish Consolidated Fund**

**Overall cash authorisations**

For the purposes of section 4(2) of the 2000 Act, the overall cash authorisations for financial year 2005/06 are—

   (a) in relation to the Scottish Administration, £23,274,951,000;

   (b) in relation to the Forestry Commissioners, £57,713,000;

   (c) in relation to the Food Standards Agency, £9,706,000;

   (d) in relation to the Scottish Parliamentary Corporate Body, £103,602,000;

   (e) in relation to Audit Scotland, £5,980,000.
Contingencies: payments out of the Fund

(1) This section applies where, in financial year 2005/06, it is proposed to pay out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 (c.46) for or in connection with expenditure of the Scottish Administration or a direct-funded body, a sum which does not fall within the overall cash authorisation specified in section 3 in relation to the Scottish Administration or, as the case may be, that body.

(2) The sum may be paid out of the Fund only if its payment is authorised by the Scottish Ministers.

(3) The Scottish Ministers may authorise payment only if they consider that—

(a) the payment is necessarily required in the public interest to meet urgent expenditure for a purpose falling within section 65(2) of the Scotland Act 1998 (c.46), and

(b) it is not reasonably practicable, for reasons of urgency, to amend the overall cash authorisation by an order under section 7 of this Act.

(4) But the Scottish Ministers must not authorise payment of the sum if it would result in an excess of sums paid out of the Fund over sums paid into the Fund.

(5) The aggregate amount of the sums which the Scottish Ministers may authorise to be paid out of the Fund under this section must not exceed £50,000,000.

(6) Where the Scottish Ministers authorise a payment under this section they must, as soon as possible, lay before the Scottish Parliament a report setting out the circumstances of the authorisation and why they considered it to be necessary.

Borrowing by certain statutory bodies

In schedule 5, the amounts set out in column 2 are the amounts specified for financial year 2005/06 for the purposes of the enactments listed in the corresponding entries in column 1 (which make provision as to the net borrowing of the bodies mentioned in that column).

Emergency arrangements: overall cash authorisations

(1) This section applies if, at the beginning of financial year 2006/07, there is no overall cash authorisation for that year for the purposes of section 4(2) of the 2000 Act.

(2) Until there is in force a Budget Act providing such authorisation, there is to be taken to be an overall cash authorisation for each calendar month of that year in relation to each of—

(a) the Scottish Administration, and

(b) the direct-funded bodies,

of an amount determined in accordance with subsection (3) of this section; and section 4 of the 2000 Act has effect accordingly.

(3) That amount is whichever is the greater of—
(a) one-twelfth of the amount specified in section 3 in relation to the Scottish Administration or, as the case may be, the direct-funded body in question, and

(b) the amount paid out of the Scottish Consolidated Fund under section 65(1)(c) of the Scotland Act 1998 (c.46) in the corresponding calendar month of financial year 2005/06 for or in connection with expenditure of the Scottish Administration or that body.

(4) Subsection (2) is subject to any provision made by Budget Act for financial year 2006/07.

PART 3

MISCELLANEOUS AND SUPPLEMENTARY

Budget revisions

Amendment of this Act

(1) The Scottish Ministers may by order made by statutory instrument amend—

(a) the amounts specified in section 3,

(b) schedules 1 to 5.

(2) No order may be made under subsection (1) unless a draft of it has been laid before, and approved by resolution of, the Scottish Parliament.

Supplementary

Repeal

Part 2 (financial year 2005/06) of the Budget (Scotland) Act 2004 (asp 2) is repealed.

Interpretation

(1) References in this Act to “the 2000 Act” are references to the Public Finance and Accountability (Scotland) Act 2000 (asp 1).

(2) References in this Act to accruing resources in relation to the Scottish Administration or any direct-funded body are to such resources accruing to the Scottish Administration or, as the case may be, that body in financial year 2005/06.

(3) References in this Act to the direct-funded bodies are references to the bodies mentioned in section 3(b) to (e) of this Act; and references to a direct-funded body are references to any of those bodies.

(4) Except where otherwise expressly provided, expressions used in this Act and in the 2000 Act have the same meanings in this Act as they have in that Act.

Short title

This Act may be cited as the Budget (Scotland) Act 2005.
## SCHEDULE 1
*(introduced by section 1)*

**THE SCOTTISH ADMINISTRATION**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount of resources other than accruing resources</th>
<th>Type of accruing resources</th>
<th>Amount of accruing resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For use by the Scottish Ministers (through the Scottish Executive Environment and Rural Affairs Department) on market support; support for agriculture in special areas including crofting communities; rural development, agri-environmental and farm woodland measures; compensation to sheep producers; animal health; agricultural education; advisory, research and development services; botanical and scientific services; assistance to production, marketing and processing; administration, land management and other agricultural services; assistance to the Scottish fisheries sector; fishery protection; other services including fisheries research and development and special services; natural heritage; environment protection; rural affairs; other environmental expenditure; flood prevention; coastal protection; air quality monitoring; loans to Scottish Water and other water grants (including the Water and Sewerage Charges Reduction scheme)</td>
<td>£1,193,987,000</td>
<td>Sale of surplus land, buildings and equipment; sale of holdings to existing tenants; repayment of loans by Scottish Water</td>
<td>£66,084,000</td>
</tr>
<tr>
<td>2. For use by the Scottish Ministers (through the Scottish Executive Development Department) on housing subsidies; Communities Scotland and financial support for Scottish Homes; new housing partnerships and community ownership; sponsorship of Energy Action Scotland; repayment of debt and any associated costs; other expenditure, contributions and grants relating to housing; departmental research and publicity and other central services; sites for travelling people; residual grants to</td>
<td>£1,240,774,000</td>
<td>Sale of property, land and equipment; repayment of loans</td>
<td>£100</td>
</tr>
<tr>
<td>Purpose</td>
<td>Amount of resources other than accruing resources</td>
<td>Type of accruing resources</td>
<td>Amount of accruing resources</td>
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<tr>
<td>housing associations; grants for the Community Regeneration Fund and other services; other regeneration initiatives; other sundry services in connection with the environment; grants to voluntary organisations and other costs associated with the voluntary sector; expenditure relating to equality issues; regulation of charities; Office of the Scottish Charity Regulator; Scottish Building Standards Agency</td>
<td>£930,523,000</td>
<td>Sale of surplus land, buildings and equipment</td>
<td>£1,350,000</td>
</tr>
<tr>
<td>3. For use by the Scottish Ministers (through the Scottish Executive Education Department) on schools; childcare; associated social work services including the Scottish Children’s Reporter Administration, the Scottish Commission for the Regulation of Care and the Scottish Social Services Council; educational development; research and promotion; training and development of teachers; curriculum development; international and other educational services, including support for School Boards, training, research and educational technology; HM Inspectors of Education; sport; community education; support for the cultural heritage of Scotland, including the Gaelic language; tourism; arts, libraries, museums and galleries, including purchase grants; cultural activities and organisations; historic buildings and monuments (including administration); architecture; publicity; indemnities; administration; central government grants to non-departmental public bodies and local authorities</td>
<td>£4,303,983,000</td>
<td>Repayment of voted loans (capital) by Scottish Enterprise and Caledonian MacBrayne; the repayment of Student Loans;</td>
<td>£48,236,000</td>
</tr>
<tr>
<td>Purpose</td>
<td>Amount of resources other than accruing resources</td>
<td>Type of accruing resources</td>
<td>Amount of accruing resources</td>
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<td>5</td>
<td>for the Student Awards Agency for Scotland and related costs, including the Student Loan Scheme and the Graduate Endowment scheme; Regional Selective Assistance grants and sundry enterprise and lifelong learning related activities; telecommunications infrastructure; European Structural Fund grants to public corporations, non-departmental public bodies, local authorities and other bodies and organisations; roads, bridges and associated services, including the acquisition of land, lighting and road safety; assistance to local transport; support for transport services in the highlands and islands; piers and harbours; support for ferry services; grant aid to British Waterways Board in respect of Scotland’s inland waterways; funding for rail services in Scotland; other expenditure relating to rail; provision for other transport services, grants and research expenditure; expenditure relating to Highlands and Islands Airports Limited and the privatisation of the Scottish Bus Group; support for bus services in Scotland; support for certain air services; transport-related and Piers and Harbours grants to local authorities and the Strathclyde Passenger Transport Authority; miscellaneous costs in relation to ports and harbours; payments to former members of Scottish Transport Group pension schemes; expenditure related to establishing and funding a Transport Agency; and support for concessionary fare schemes</td>
<td>sale of property, land and equipment; repayment of loans by the Tay Bridge Joint Board and by Independent Piers and Harbours Trusts</td>
<td>£12,100,000</td>
</tr>
<tr>
<td>5. For use by the Scottish Ministers (through the Scottish Executive Health Department) on hospital and community health services; family health services; community care; grants to local authorities and voluntary organisations; social care; welfare food; the Scottish Drugs Challenge Fund; payments to the Skipton Fund; other health services</td>
<td>£7,404,992,000</td>
<td>Sale of land, buildings, vehicles, equipment and property</td>
<td></td>
</tr>
<tr>
<td>Purpose</td>
<td>Amount of resources other than accruing resources</td>
<td>Type of accruing resources</td>
<td>Amount of accruing resources</td>
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<tr>
<td>6. For use by the Scottish Ministers (through the Scottish Executive Justice Department) on legal aid (including administration); criminal injuries compensation (including administration); certain services relating to crime including the Parole Board for Scotland; the Scottish Prison Service; the Scottish Prisons Complaints Commission; the Scottish Criminal Cases Review Commission; police services (including grants to local authorities) and superannuation of police on secondment; fire services (including Scottish Fire Service Training School and superannuation and grants to local authorities); civil contingencies; measures in relation to antisocial behaviour; miscellaneous services relating to administration of justice; community justice services including probation and supervised attendance orders; grants to voluntary organisations; court services, including judicial pensions; the Accountant in Bankruptcy; certain legal services; costs and fees in connection with legal proceedings</td>
<td>£1,365,884,000</td>
<td>Sale of police vehicles; sale of prison land, buildings, staff quarters, vehicles, equipment and property</td>
<td>£2,730,000</td>
</tr>
<tr>
<td>7. For use by the Scottish Ministers on administrative costs and operational costs; costs of providing continuing services to the Scottish Parliament; costs associated with the functions of the Queen's Printer for Scotland</td>
<td>£240,291,000</td>
<td>Income from sale of surplus capital assets</td>
<td>£35,000</td>
</tr>
<tr>
<td>8. For use by the Registrar General of Births, Deaths and Marriages for Scotland (through the General Register Office for Scotland) on administrative costs and operational costs</td>
<td>£8,379,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9. For use by the Scottish Ministers and the Keeper of the Records of Scotland (through the National Archives of Scotland) on administrative costs and operational costs (including the</td>
<td>£10,390,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purpose</td>
<td>Amount of resources other than accruing resources</td>
<td>Type of accruing resources</td>
<td>Amount of accruing resources</td>
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<tr>
<td>conversion of the sasine records to digital images)</td>
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</tr>
<tr>
<td>10. For use by the Scottish Ministers (through the Scottish Executive Finance and Central Services Department) on running and capital costs of the Scottish Public Pensions Agency; revenue support grants and payment of non-domestic rates in Scotland; other local authority grants and special grants relating to council tax and spend-to-save scheme; other services including payments under the Bellwin scheme covering floods, storms and other emergencies; expenditure on committees, commissions and other departmental services; grants to the Civic Forum; expenditure in relation to modernising government and efficient government; international relations and development assistance; expenditure in relation to running costs of the Crown Office and Procurator Fiscal Service Inspectorate</td>
<td>£7,591,071,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>11. For use by the Scottish Ministers on pensions, allowances, gratuities etc payable in respect of the teachers’ and national health service pension schemes</td>
<td>£1,241,805,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12. For use by the Lord Advocate (through the Crown Office and the Procurator Fiscal Service) on administrative costs, including fees paid to temporary procurators fiscal, witness expenses and other costs associated with Crown prosecutions</td>
<td>£92,575,000</td>
<td>Miscellaneous income; sale of surplus assets</td>
<td>£450,000</td>
</tr>
</tbody>
</table>
## SCHEDULE 2
*(introduced by section 1)*

**ACCRUING RESOURCES OF THE SCOTTISH ADMINISTRATION WHICH MAY BE USED WITHOUT INDIVIDUAL LIMIT**

### PART 1

**SCOTTISH EXECUTIVE ENVIRONMENT AND RURAL AFFAIRS DEPARTMENT**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income of the Scottish Agricultural Science Agency (SASA) under Service Level Agreement</td>
<td>SASA expenditure</td>
</tr>
<tr>
<td>2. Sale of carcasses; repayment of loans under Crofting Building Loan Scheme; bond fees and insurance; receipts from the Meat and Livestock Commission under Ministerial Direction</td>
<td>Related rural development expenditure</td>
</tr>
<tr>
<td>3. Contributions under the superannuation scheme for the Scottish Agricultural College and Agricultural and Biological Research Institutes; rents and wayleaves; recovery of costs in connection with land drainage; fees for Common Agricultural Policy Scheme appeals; sales of produce; charges under livestock schemes; pension contributions from members of the Crofters Commission and the Deer Commission; charges for cattle passports; charges for relevant publications and statistics</td>
<td>Related agricultural services expenditure</td>
</tr>
<tr>
<td>4. Repayment of loans to harbour authorities; charges for relevant publications and statistics</td>
<td>Related fisheries expenditure</td>
</tr>
<tr>
<td>5. Charges for plant health and control work, seed and variety testing and pesticides work; sales of produce; charges for advisory visits, certifications, testing plants, animals and fish; charges for hire of equipment, publications and statistics</td>
<td>Related SASA, FRS and Scottish Fisheries Protection Agency (SFPA) expenditure</td>
</tr>
<tr>
<td>6. Income of SASA, FRS and SFPA from services provided to external customers</td>
<td>SASA, FRS and SFPA expenditure</td>
</tr>
<tr>
<td>7. Sale of research results and publications; charges for licences under the Food and Environment Protection Act 1985</td>
<td>Expenditure on environmental services</td>
</tr>
<tr>
<td>8. Repayment of loans</td>
<td>Expenditure on Scottish Water</td>
</tr>
</tbody>
</table>

Overall amount: £22,256,000
## Schedule 2—Accruing resources of the Scottish Administration which may be used without individual limit
### Part 2—Scottish Executive Development Department

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income from the sale of research results and publications; other minor miscellaneous income</td>
<td>Expenditure on miscellaneous Development Department programmes</td>
</tr>
<tr>
<td>2. Capital sums accruing to Communities Scotland</td>
<td>Expenditure on housing</td>
</tr>
<tr>
<td>3. Recovery of unused grant from voluntary organisations</td>
<td>Expenditure on voluntary sector</td>
</tr>
<tr>
<td>4. Recovery of grant awarded to councils and Registered Social Landlords under the New Housing Partnerships initiative and Community Ownership</td>
<td>Related housing expenditure</td>
</tr>
<tr>
<td>5. Income from local authorities in respect of right to buy sales following housing stock transfer</td>
<td>Expenditure on housing</td>
</tr>
<tr>
<td>6. Receipts from local authorities arising out of housing stock transfers</td>
<td>Repayment of local authority housing debt and associated costs</td>
</tr>
<tr>
<td>7. Receipts from Energy Action Grant Agency in respect of energy efficiency matters</td>
<td>Expenditure on central heating programme</td>
</tr>
<tr>
<td>8. Fees for functions carried out by the Scottish Building Standards Agency</td>
<td>Expenditure of the Scottish Buildings Standards Agency</td>
</tr>
<tr>
<td>9. Receipts from interest on loans to registered social landlords</td>
<td>Expenditure on housing</td>
</tr>
<tr>
<td>10. Recovery of unused regeneration monies</td>
<td>Expenditure on regeneration</td>
</tr>
</tbody>
</table>

Overall amount: £100
### Part 3

**Scottish Executive Education Department**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recovery of costs from local authorities in respect of self-governing schools</td>
<td>Expenditure on education services</td>
</tr>
<tr>
<td>2. Recovery of costs from HM Inspectors of Education</td>
<td>Expenditure on education services</td>
</tr>
<tr>
<td>3. Recovery of costs from Youthlink</td>
<td>Expenditure on education services</td>
</tr>
<tr>
<td>4. Income from admissions and retail at monuments operated by Historic Scotland and external partnership funding for capital projects</td>
<td>Expenditure on tourism and culture</td>
</tr>
<tr>
<td>5. Income from sales and grants in respect of the Royal Commission on Ancient and Historic Monuments of Scotland</td>
<td>Expenditure on tourism and culture</td>
</tr>
</tbody>
</table>

Overall amount: £18,820,000

### Part 4

**Scottish Executive Enterprise, Transport and Lifelong Learning Department**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Repayments of student awards and interest capitalised on student loans</td>
<td>Expenditure of the Student Awards Agency for Scotland</td>
</tr>
<tr>
<td>2. Income from the Graduate Endowment scheme</td>
<td>Expenditure on student support relating to the provision of allowances for living costs and loans</td>
</tr>
<tr>
<td>3. Refunds of grants for Regional Selective Assistance</td>
<td>Expenditure on Regional Selective Assistance</td>
</tr>
<tr>
<td>4. Rents from land and property; Erskine Bridge toll income</td>
<td>Expenditure on motorways and trunk roads</td>
</tr>
<tr>
<td>5. Any sums accruing as a result of the dissolution of Scottish Transport Group</td>
<td>Payments to former members of Scottish Transport Group pensions schemes</td>
</tr>
</tbody>
</table>
Overall amount: £68,338,000

**PART 5**

**SCOTTISH EXECUTIVE HEALTH DEPARTMENT**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Charges to private patients; income generation schemes; charges for the processing of plasma for the Department of Health, Social Services and Public Safety Northern Ireland; handling charges for blood products; sales of antibodies and related products; repayments of Project 2000 bursaries; National Insurance contributions</td>
<td>Expenditure on hospital and community health services</td>
</tr>
<tr>
<td>2. Prescription charges collected by dispensing doctors, pharmacists, Health Boards and appliance suppliers; sales of prescription pre-payment certificates; payments under the Pharmaceutical Price Regulation Scheme; rental of national health service properties; charges collected by dental practitioners and ophthalmologists; recovery of charges from patients, dispensing contractors and practitioners</td>
<td>Expenditure on family health services</td>
</tr>
<tr>
<td>3. Sales of publications; fees for conferences and courses; royalties from projects developed with departmental assistance; sales of vitamin drops and tablets at national health service clinics; other miscellaneous income</td>
<td>Expenditure on other health services</td>
</tr>
<tr>
<td>4. Income from fees charged by the Scottish Commission for the Regulation of Care</td>
<td>Expenditure on community care</td>
</tr>
</tbody>
</table>

Overall amount: £1,521,032,000
## Part 6

**Scottish Executive Justice Department**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Superannuation contributions for police officers on secondment to the Scottish Police College (SPC); charges for students from outwith Scottish Police Forces; charges for use of SPC for various activities</td>
<td>Expenditure of the SPC</td>
</tr>
<tr>
<td>2. Contributions made by the Scottish Police Federation to the cost of salaries, etc. of their secretary and chairman; receipts from fixed penalty notices</td>
<td>Expenditure on police services</td>
</tr>
<tr>
<td>3. Income from sale of prison-manufactured goods, services and other industries income; various income including income from land and buildings</td>
<td>Expenditure of the Scottish Prison Service</td>
</tr>
<tr>
<td>4. General income of the Scottish Fire Service Training School, including that from fire-related and other organisations which use the school’s teaching and conference facilities on a repayment basis</td>
<td>Expenditure of the Scottish Fire Service Training School</td>
</tr>
<tr>
<td>5. Civil defence income from sale of surplus and obsolete equipment; course income; rents from other bodies using radio masts or stations owned by the Scottish Executive</td>
<td>Expenditure on civil defence (including grants)</td>
</tr>
<tr>
<td>6. Superannuation contributions collected by the Scottish Legal Aid Board</td>
<td>Expenditure on legal aid</td>
</tr>
<tr>
<td>7. Income from cinematography exemption certificate fees and criminal statistics and other miscellaneous receipts</td>
<td>Miscellaneous expenditure</td>
</tr>
<tr>
<td>8. Fees for civil cases; rent from minor occupiers</td>
<td>Expenditure of the Scottish Court Service</td>
</tr>
<tr>
<td>9. Income from sequestration</td>
<td>Expenditure on the Accountant in Bankruptcy</td>
</tr>
</tbody>
</table>

Overall amount: £25,137,000
### Part 7
**Scottish Executive (Administration)**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Payments from departments outwith the Scottish Executive for professional services; income from the Statistical Office of the European Union; discounts; recoveries of legal costs; income from payment for services and recovery of other costs; New Deal income; profit from sale of surplus capital assets; recoveries from the National Insurance Fund; repayments of loans made to members of staff for house purchase; rent from minor occupiers; European Fast Stream income</td>
<td>Scottish Executive core departments running costs</td>
</tr>
<tr>
<td>2. Recoveries of salaries and other expenses of outward seconded and loaned staff; recoveries of salaries of staff assigned to the Criminal Injuries Compensation Agency (CICA)</td>
<td>Expenditure on outward seconded and loaned staff and staff assigned to CICA</td>
</tr>
</tbody>
</table>

Overall amount: £13,422,000

### Part 8
**Registrar General of Births, Deaths and Marriages for Scotland**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income from sales of records services; royalties from sales on the Internet; reapportioned income from minor occupiers</td>
<td>Expenditure on Records Enterprise</td>
</tr>
<tr>
<td>2. Income from sales of records services; reapportioned income from minor occupiers</td>
<td>Registration expenditure</td>
</tr>
<tr>
<td>3. Income from Scottish Executive for running the National Health Service Central Register; income from sales of information by National Health Service Central Register; income from sales of vital statistics; reapportioned income from minor occupiers</td>
<td>Expenditure on vital events and national health service</td>
</tr>
<tr>
<td>4. Income from sales of Census and other geographical information; sales of population statistics; reapportioned income from minor occupiers</td>
<td>Expenditure on Census and population statistics</td>
</tr>
</tbody>
</table>

Overall amount: £2,940,000
## Part 9

### Keeper of the Records of Scotland

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fees and other income for the issue of photocopy orders; professional searchers contract fees; inspection fees; microfilm and digital imaging services; sale of publications; income from conservation and specialist services; income from Registers of Scotland Executive Agency Register Archives Collection</td>
<td>Running costs of the National Archives of Scotland</td>
</tr>
</tbody>
</table>

Overall amount: £800,000

## Part 10

### Scottish Executive Finance and Central Services Department

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Income from marketing</td>
<td>Expenditure on marketing</td>
</tr>
<tr>
<td>2. Income in respect of legal costs recovered by the Local Government Boundary Commission</td>
<td>Payments to the Local Government Boundary Commission</td>
</tr>
<tr>
<td>3. Administration charges in respect of services undertaken by the Scottish Public Pensions Agency</td>
<td>Running costs of the Scottish Public Pensions Agency</td>
</tr>
<tr>
<td>4. Recovery of grant awarded to councils under the Bellwin scheme covering floods, storms, and other emergencies</td>
<td>Expenditure on floods, storms and other emergencies</td>
</tr>
</tbody>
</table>

Overall amount: £85,000
### PART 11
**SCOTTISH EXECUTIVE (SCOTTISH TEACHERS’ AND NHS PENSION SCHEMES)**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributions in respect of teachers’ and national health service superannuation</td>
<td>Expenditure on teachers’ and national health service superannuation</td>
</tr>
</tbody>
</table>

Overall amount: £1,156,172,000

### PART 12
**CROWN OFFICE AND PROCURATOR FISCAL SERVICE**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fees charged for administering the estates of persons who die intestate and without known heirs; ultimus haeres; sale of Statute Amendments; income from the sale of waste paper and obsolete office machinery; minor occupancy income; minor miscellaneous income; profit on sale of surplus capital assets</td>
<td>Running costs of the Crown Office and Procurator Fiscal Service</td>
</tr>
</tbody>
</table>

Overall amount: £250,000
## SCHEDULE 3

*(introduced by section 2)*

### DIRECT-FUNDED BODIES

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount of resources other than accruing resources</th>
<th>Type of accruing resources</th>
<th>Amount of accruing resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For use by the Forestry Commissioners in or as regards Scotland on the promotion of forestry in Scotland, including support to the private sector for planting of new forest and woodlands, replanting after felling and maintenance grants for improvements; regulating forestry activity through the application of forest management standards and felling controls; managing the Forestry Commission’s forests in Scotland including measures to support the development of the recreational and educational potential of those forests, to provide access to those forests, to improve the environmental, conservation and amenity values of those forests; maximising the financial returns on the assets of the national forests in Scotland through wood production and by developing the commercial opportunities; administrative costs</td>
<td>£81,551,000</td>
<td>Miscellaneous income</td>
<td>£500,000</td>
</tr>
<tr>
<td>2. For use by the Food Standards Agency in or as regards Scotland on administrative and operational costs, including research, monitoring and surveillance and public information and awareness relating to food safety and standards; the Meat Hygiene Service</td>
<td>£9,771,000</td>
<td>Miscellaneous income</td>
<td>£100</td>
</tr>
<tr>
<td>3. For use by the Scottish Parliamentary Corporate Body on ongoing costs associated with the administration and operation of the Scottish Parliament; payments in respect of the functions of the Scottish Parliamentary Standards Commissioner, the Scottish Public Services Ombudsman, the Scottish Information Commissioner and the Commissioner for Children and Young</td>
<td>£96,971,000</td>
<td>Miscellaneous income and capital receipts</td>
<td>£100</td>
</tr>
</tbody>
</table>
**Budget (Scotland) (No. 2) Bill**

**Schedule 4—Accruing resources of direct-funded bodies which may be used without individual limit**

**Part 1—Forestry Commissioners**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount of resources other than accruing resources</th>
<th>Type of accruing resources</th>
<th>Amount of accruing resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>People in Scotland; any other payments relating to the Scottish Parliament</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. For use by Audit Scotland, including assistance and support to the Auditor General for Scotland and the Accounts Commission for Scotland and other audit work for public bodies</td>
<td>£6,525,000</td>
<td>Income from sale of IT equipment</td>
<td>£100</td>
</tr>
</tbody>
</table>

**SCHEDULE 4**

*(introduced by section 2)*

**ACCRUING RESOURCES OF DIRECT-FUNDED BODIES WHICH MAY BE USED WITHOUT INDIVIDUAL LIMIT**

**Part 1**

**FORESTRY COMMISSIONERS**

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recoveries of grants; repayments by staff of loans and other recoverable expenses; miscellaneous income from sales of publications, training courses etc.</td>
<td>Policy, regulatory and grant-giving functions</td>
</tr>
</tbody>
</table>

Overall amount: £100
## Part 2

### Food Standards Agency

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Recovery of costs from Radioactive Site Operators in relation to the Food Standards Agency’s role in assessing the impact of proposed radioactive waste disposal authorisations on the food chain; income from sale of publications and income generation schemes</td>
<td>Expenditure of the Food Standards Agency in or as regards Scotland</td>
</tr>
<tr>
<td>2. Income from industry levied charges in respect of statutory veterinary services and inspections undertaken by the Meat Hygiene Service</td>
<td>Expenditure of the Food Standards Agency in or as regards Scotland in supporting the provision of the Meat Hygiene Service</td>
</tr>
</tbody>
</table>

Overall amount: £100

## Part 3

### Scottish Parliamentary Corporate Body

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Broadcasting income; gifts; income from commercial sales and other services provided to the public</td>
<td>Expenditure on administrative costs of the Scottish Parliament</td>
</tr>
</tbody>
</table>

Overall amount: £170,000

## Part 4

### Audit Scotland

<table>
<thead>
<tr>
<th>Type of accruing resources</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fees and charges for audit work; recoveries of costs associated with the functions of the Auditor General for Scotland and the Accounts Commission for Scotland; miscellaneous income from publications, conferences, provision of administrative services etc.; recoveries of costs of seconded staff; repayments of staff loans; recoveries of car leasing payments; interest received on working balances</td>
<td>Expenditure of Audit Scotland, the Auditor General for Scotland and the Accounts Commission for Scotland</td>
</tr>
</tbody>
</table>

Overall amount: £18,009,000
### SCHEDULE 5
*(introduced by section 5)*

**BORROWING BY CERTAIN STATUTORY BODIES**

<table>
<thead>
<tr>
<th>Enactment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Section 7 of the Housing (Scotland) Act 1988 (c. 43) (Scottish Homes)</td>
<td>Nil</td>
</tr>
<tr>
<td>2. Section 25 of the Enterprise and New Towns (Scotland) Act 1990 (c.35) (Scottish Enterprise)</td>
<td>£10,000,000</td>
</tr>
<tr>
<td>3. Section 26 of that Act (Highlands and Islands Enterprise)</td>
<td>£1,000,000</td>
</tr>
<tr>
<td>4. Section 42 of the Water Industry (Scotland) Act 2002 (asp 3) (Scottish Water)</td>
<td>£221,900,000</td>
</tr>
<tr>
<td>5. Section 48 of the Environment Act 1995 (c.25) (Scottish Environment Protection Agency)</td>
<td>Nil</td>
</tr>
</tbody>
</table>
Budget (Scotland) (No.2) Bill
[AS INTRODUCED]

An Act of the Scottish Parliament to make provision, for financial year 2005/06, for the use of resources by the Scottish Administration and certain bodies whose expenditure is payable out of the Scottish Consolidated Fund, for authorising the payment of sums out of the Fund and for the maximum amounts of borrowing by certain statutory bodies; to make provision, for financial year 2006/07, for authorising the payment of sums out of the Fund on a temporary basis; and for connected purposes.

Introduced by: Mr Tom McCabe
On: 19 January 2005
Supported by: Mr Jack McConnell, Mr Jim Wallace, Ms Margaret Curran
Bill type: Budget Bill
These documents relate to the Budget (Scotland) (No.2) Bill (SP Bill 34) as introduced in the Scottish Parliament on 19 January 2005

BUDGET (SCOTLAND) (NO.2) BILL

ACCOMPANYING DOCUMENTS

EXECUTIVE STATEMENT ON LEGISLATIVE COMPETENCE

1. On 19 January 2005, the Minister for Finance (Mr Tom McCabe) made the following statement:

   “In my view, the provisions of the Budget (Scotland) (No.2) Bill would be within the legislative competence of the Scottish Parliament.”

PRESIDING OFFICER’S STATEMENT ON LEGISLATIVE COMPETENCE

2. On 18 January 2005, the Presiding Officer (Right Honourable George Reid MSP) made the following statement:

   “In my view, the provisions of the Budget (Scotland) (No.2) Bill would be within the legislative competence of the Scottish Parliament.”
Note: (DT) signifies a decision taken at Decision Time.

**Budget (Scotland) (No.2) Bill – Stage 1:** The Minister for Finance and Public Service Reform (Mr Tom McCabe) moved S2M-2291—That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.

After debate, the motion was agreed to (DT by division: For 63, Against 13, Abstentions 39).
The Deputy Presiding Officer (Murray Tosh): We come now to a debate on motion S2M-2291, in the name of Tom McCabe, that the general principles of the Budget (Scotland) (No 2) Bill be agreed.

15:37

The Minister for Finance and Public Service Reform (Mr Tom McCabe): Today we reach the start of the final stage of the 2005-06 budget process—the culmination of nine months’ hard work by parliamentary committees, by Executive officials and, of course, by ministers.

Alasdair Morgan (South of Scotland) (SNP): Ha!

Mr McCabe: Mr Morgan nearly missed that one.

There have been many hours of work to ensure that we are spending our money in the right places. The Budget (Scotland) (No 2) Bill is, perhaps, the most important bill in the parliamentary calendar. It is at the heart of everything that the Executive does. It provides the means to implement all of our policies and programmes; funding our universities and colleges; paying our doctors and nurses; building new railways; and meeting the commitments that we made in the partnership agreement.

The formal subject of today’s debate is consideration of the general principles of the bill. I hope that we all agree on the fundamental principle that, in a democratic system, Parliament should approve the spending plans of the Government that is in power. There is also, I hope, no disagreement that the principles of openness, transparency and accountability should underpin the bill and the processes surrounding it.

Of course, within the Executive, we must always be open to possibilities for improvement, so I commend the Finance Committee for its continued work in suggesting where we can shed light and improve understanding.

I think that we can be rightly proud that our process is uniquely tailored to ensure that as many people as possible can contribute to the debate, which ensures that our budget is spent as efficiently and effectively as possible for the benefit of all Scots. However, we also need to acknowledge that, for all the improvements that we have made, this is not necessarily an easy process to understand.

The origins of our spending plans for 2005-06 go back to the spending review in 2002. The 2005-06 process began with the publication of an annual evaluation report nine long months ago. The document allowed for consultation of the public and of parliamentary committees. Its purpose was to present the Executive’s priorities and high-level strategy. All committee responses were pulled together in the Finance Committee’s report, which we debated in June last year.

Following the 2004 spending review, the draft budget for 2005-06 was published, setting out our detailed proposals. Again, that process was scrutinised by the public and by parliamentary committees and—again—the responses of all the subject committees of the Parliament were pulled together in another report by the Finance Committee, which we debated just before Christmas. That is the point at which changes to our spending plans can be proposed. None was proposed, which indicated broad support for our proposals.

Mr Brian Monteith (Mid Scotland and Fife) (Con): Does the minister agree that, given the spirit of working to progress the Executive’s proposals, the process militates against the production of alternative proposals?

Mr McCabe: I disagree with that. I have just explained—I will explain further—the process that we use in Scotland and of which we can be justly proud. The point that I am making is that the Executive and the Parliament must both be always vigilant and must ensure that we continually do more to open up the process and make it accessible to the maximum number of people.

As part of our engagement with individuals and organisations throughout Scotland, we distributed more than 1,500 copies of our budget documents and, of course, we posted them on the internet. In previous years, finance ministers have held roadshows in Lerwick, Dumfries, Fort William and Aberdeen. This year, my deputy Tavish Scott and I have continued those valuable efforts by holding roadshows in Arbroath, Dumbarton and Musselburgh. Later this month, there will be another such event in Falkirk. The roadshows attract a wide range of people from business organisations, councils and the health and voluntary sectors. Their main purpose is to allow the public to play a part in setting our budget plans, but they also allow ministers to hear at first hand concerns and ideas about how to adopt a slightly different approach in the future.

Since 1999, we have achieved significant progress in improving our budget process but, as I have said, there is no doubt that it is still complex. There is a challenge not just for the Executive and the Parliament, but for all organisations that take an interest in such matters to continue their involvement in the search for a budget process with which people can genuinely engage. I am sure that all members would support that and
would want to ensure that the budget process in Scotland is meaningful.

Our budget scrutiny process is one of the most open of any Parliament, but I acknowledge that there is no room for complacency. In conjunction with Parliament, the Executive will always work hard to promote transparency. We have always tried to respond positively to the Finance Committee’s recommendations and we will continue to do so. We will actively seek to involve the people of Scotland in our processes and decision making.

I move,

That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.

15:42

Jim Mather (Highlands and Islands) (SNP):

What progress have we seen in management of the budget? There have been some moves aimed at streamlining and improving the accountability of what is—and, for me, always will be—a mere spending exercise. We have a national spending plan that contains no macro targets and has no credible sense of purpose, so the likelihood of the budget being able to transform Scotland is limited.

In the spending plan, the Executive must spend heavily on many of the symptoms of the relative decline into which we have been led. The plan attempts to keep alive the false hope that Scotland’s potential and resurgence can be triggered by a magic spending formula—a formula that has yet to be found after 50 years of trying.

Last year, Andy Kerr told us that he would change stage 1 of the budget process

“into a more strategic look at the Executive’s performance.”—[Official Report, 29 January 2004; c 5376.]

However, the fact that the Executive does not have top-level targets makes it clear that it does not understand the word “strategic”. I have found two definitions of the word “strategic”, only one of which I favour. Although the other is also true, it talks of a culture that I despise. The first definition says:

“Strategic: Implies that the focus is on improving and sustaining overall performance”.

That is the definition that I like. The second definition says:

“Strategic: A word people often use to make their pet project sound important”.

That definition hits the bull’s-eye. The Executive does not have top-level strategic targets for growth, so the budget looks like a national spending list that patently does not do enough to re-energise Scotland and make us more competitive. In Andy Kerr’s mouth, the word “strategic” meets the second definition. We realise how true that is when we consider the fact that the Executive has now formally rejected the Finance Committee’s call for strategic targets or a strategic forecast for economic growth.

In his response to the Finance Committee of 18 January, the minister wrote that the Executive did “not consider that it would be appropriate to set a spending review target for a specific level of GDP growth”.

So there it is: there are no targets, there is no joint and several responsibility with Westminster for economic growth in Scotland and there is no genuine concerted focus on Scottish growth. Why? Ministers obviously know that the current powers will simply not crack the problem and will not close the persistent gap in growth between Scotland and the rest of the United Kingdom.

The data that we now have for the year to the third quarter of 2004 say that Scotland grew at 1.8 per cent, but the rest of the UK grew at 3.2 per cent. The gap widens, but the Executive will not publicly acknowledge that and will do nothing to reverse the trend, but instead seems to be willing to let Scottish people live with the consequences. Happily, that is so apparent that everyone will, sooner or later, realise what is happening. Then there will be an electoral price to pay, especially as the current lack of a target is an indirect attack on the people of Scotland because the absence of an economic growth target allows all our competitors to claim correctly that the Executive is not serious about growth. Thus the Executive is indirectly creating downward pressure on the number of available jobs and on incomes in Scotland, as well as upward pressure on migration out of Scotland.

Mr McCabe: How can Jim Mather possibly square his frankly outrageous statements with the record levels of investment in our infrastructure, in business skills and in education in Scotland, or with the employment levels in Scotland, which are the highest for a generation?

Jim Mather: The minister’s whole package is not enough. I advise him to look at the International Institute for Management Development’s “World Competitiveness Yearbook”, which places Scotland 36th of 60 developed nations and regions on competitiveness and also places the UK 22nd. There is no level playing field and, without the necessary powers, that lack of a level playing field will persist and what I have just described will continue to happen. How competitive and responsible is that? The answer is, “Not very.”

On lower-level targets, all the Executive will say is that it is committed to making its targets as outcome focused as possible. Is that all right? No, it is not, because many of its targets are not
outcome focused, are not specifically measurable or are not dated within the current electoral cycle.

Meanwhile, other countries and autonomous states and provinces are cracking on, genuinely building competitive advantage and making real progress. They are not taking any self-denying ordinance on competition to give Scotland a chance, and that is why reversing the pattern of low Scottish growth is now becoming urgent. It is the cause of our population decline and of the high levels of deprivation that must be tackled if we are to avoid a further spiral of decline.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Will Jim Mather give way?

Jim Mather: No. I have heard from Jeremy Purvis before.

That is all the end product of a deeply flawed Executive strategy. The Executive will not claim the powers that we need and it will not set targets. Meanwhile, the other countries of Europe are doing the sensible thing and are building all the competitive advantage they can muster. They are doing everything—I emphasise that word—that we can do, plus they are using their direct control of their resources to increase their competitiveness and the size of their national economic cakes.

Mr Kenneth Macintosh (Eastwood) (Lab): Will Jim Mather give way?

Jim Mather: No. I am in my last minute.

Members should look at this week’s issue of The Economist. It elegantly supports the Scottish National Party’s argument in an article entitled “A case for nationalism”—there is no question mark—and subtitled “European governments need more fiscal freedom, not less”. It goes on to offer advice to other countries that have entered monetary unions. That advice is as valid for Scotland in the UK monetary union and goes as follows:

“Because euro members have shed their power to pursue independent monetary and exchange-rate policies, they need more fiscal independence, not less.”

The SNP accepts that, of course, because it is true in the sterling zone. We advocate that policy every day and now, with even more proof and endorsement of the proposition, the argument is even more persuasive and will sweep the minister away.

The Economist is right. In the short term, the SNP would pursue radically different spending plans that would create a more competitive Scotland and be augmented by increased powers. We would thereby help Scotland to become the thriving, caring and prosperous country that it could be.

15:49

Mr Brian Monteith (Mid Scotland and Fife) (Con): I am pleased to open the debate for the Conservatives. I would gladly have presented an alternative budget in detail, but the budget process and its associated parliamentary procedures militate against that. Executive ministers and back benchers have, in the past, criticised Conservatives and nationalists for not presenting alternatives—as happens in councils, when council taxes are set—but Opposition MSPs do not have the access to officials that councillors have. MSPs do not receive the detailed level of information that councillors do, nor do we receive details of incomes through the budget process.

Furthermore, amendment of the budget bill is problematic because it requires that each subject committee receive alternative proposals and that the Finance Committee receive those as well as making its proposals. The Finance Committee’s budget report is an important cross-party attempt to point out serious misgivings and to scrutinise the budget bill. It is difficult to oppose the Finance Committee’s report when it comes to Parliament; indeed, previous attempts by me to lodge reasoned amendments to the bill or to suggest amendments to the process have been rejected.

Ms Wendy Alexander (Paisley North) (Lab): I admire the attempt to defend having no budget proposals. Why is it that the Tories in the rest of the United Kingdom are capable of producing alternative budget proposals? Apparently, that seems to elude the Scottish Tories.

Mr Monteith: I am sorry, but I think the member is being disingenuous. I am talking about the parliamentary procedure for dealing with the budget, which is designed to scrutinise the budget, but not to encourage an alternative budget. That is the distinction that I wish to draw. We prepare alternative budgets in the political sense, and we attempt to float them and sell them to the public. However, that does not form part of the parliamentary procedure. All things considered, the chances of alternative budgets coming before Parliament, or even coming before the Finance Committee, are very small.

Mr McCabe: I presume from the member’s comments that he is directing his criticisms at the parliamentary authorities and at the processes that Parliament has adopted for scrutinising the budget.

Mr Monteith: I am not pointing the finger at any particular people or authorities; I am saying that there is much room for improvement in the parliamentary procedures. From time to time, the Finance Committee has said much the same thing, so there is nothing new there—it is not rocket science.
The Minister for Finance and Public Service Reform has already informed Parliament that—

Mr Macintosh: Will the member give way?

Mr Monteith: No, I must make progress. Mr Macintosh is not going to ruin this speech by taking up my time. The minister has already informed Parliament that he will not raise income tax by 3p in the pound to fund the budget. Of course, he does not need to—we all know that a Labour Chancellor of the Exchequer, if there happens to be one, will do that for him. We know that because this week the Institute of Fiscal Studies has told us that there is an £11 billion black hole that needs to be plugged. The average working family—a couple who earn average earnings—will face an additional bill of £1,000, which is equivalent to 3p in the pound on income tax, in order to pay for this budget.

The alternative, of course, is to allow Oliver Letwin to occupy 11 Downing Street, because he has matched Labour’s spending on health and schools and has matched the Barnett consequentials that bring funding to Scotland. At the same time, he will ensure that Gordon Brown’s black hole will be plugged.

Stewart Stevenson (Banff and Buchan) (SNP): And the sun will shine every day.

Mr Monteith: In Tory Britain, it certainly will. I believe in There Is No Alternative, but there is now an alternative: we can go for economic growth in Scotland. Our alternative would be to cut council tax—we have proposals for that—to cut business rates and to increase road spending. Those proposals, costed within the current budget year, could be delivered and would increase growth. None of those policies would reduce spending on schools or hospitals. With Oliver Letwin’s guarantee of the same Barnett consequentials, the economic debate in Scotland should be about our different priorities. The debate should not be about childish accusations with scaremongering about Tory cuts; it should be about our priorities. For that reason, I call on the Minister for Finance and Public Service Reform to support Oliver Letwin in his goal—to be in 11 Downing Street.

Jeremy Purvis: (Tweeddale, Ettrick and Lauderdale) (LD): This is a short debate, which is a shame, because it is my last as a member of the Finance Committee. In a masochistic kind of way, I will miss these debates, which I have come to enjoy. If I may be self-indulgent for a moment, I will miss sitting on the committee but—as other more experienced members know—when it comes to committee membership what goes around often comes around, so I may well be back. However, the members, the clerking staff and the budget adviser have done an excellent job over the past year in supporting me as a new member of Parliament.

The main purpose of the debate is to approve the Executive’s spending plans for the financial year 2005-06. We are tasked with scrutinising the differences between the bill and the draft budget for 2005-06 that was published in October. The main differences are in the presentation of figures. Much discussion has taken place in the Finance Committee and with the minister on how best to present budget documents to provide the right level of information consistently and with clarity. However, if such discussions never end, the result will be documents that are neither consistent nor clear. That said, the improvements in presentation have been applauded by the committee.

Of particular note is the fact that there is greater detail on capital spending. It was welcome that in his statement last year on the spending review, the then Minister for Finance and Public Services announced a substantial increase in capital investment. That was welcome because the spending is indeed that—investment. In June he announced a new target to increase net investment by 5 per cent per annum in real terms over the spending review period.

The summary tables in the accompanying documents to the bill are helpful, and are an improvement on previous examples. Indeed, the clarity of the accompanying documents highlights the lie of the SNP and the Conservatives, who say that they have insufficient information to provide alternatives budgets. Wendy Alexander was right in pointing to the fact that the Conservatives are quite happy to suggest alternative budgets in other parts of the UK. Indeed, Oliver Letwin did that, and admitted in three sections of his budget documents that his proposals for public services are cuts, cuts and cuts.

Mr Monteith: Will the member give way?

Jeremy Purvis: I will happily give way to Mr Monteith in a moment.

The nation—or those who are eagle-eyed among us—managed to capture the SNP’s launch of its election campaign on Tuesday. The Salmond and Sturgeon double act—the Sonny and Cher politics of Scotland—did not mention much about an alternative budget in Scotland, although Sonny did talk about oil. They seek to bank future investment in public services on the volatile oil market. That strategy, as Mr Mather would say, is about making a pet project seem attractive. That is the SNP’s case for independence.

The document “Government Expenditure and Revenue in Scotland”—GERS—which Jim Mather referred to in a debate before Christmas, is a useful basis on which to proceed. It happily
calculated Government spending in Scotland. It shows a deficit of £9.3 billion. If 100 per cent of oil revenues is included — problematic though that is — the deficit is £4.4 billion. In the budget debate in December, Mr Mather had a magic wand to hand, and said:

“An independent Scotland would quickly and readily wipe out the deficit.”—[Official Report, 23 December 2004; c 13260.]

Jim Mather: Jeremy Purvis should do his arithmetic. GERS is a useful basis on which to make the case for how Scotland could perform. It should not be worn as a badge of shame that is put to the wider public and the investment community while saying, “Come here. We’re a basket case.” That is crazy. Turn it round, Jeremy — it can be turned into a positive.

Jeremy Purvis: Let us analyse that further. I know that a cynic is what an optimist calls a realist, but optimism is now an official policy of the SNP. Let us examine what Mr Mather asks us to consider in wiping out the deficit. Increased growth would wipe out 17 per cent of the deficit, but he does not give an SNP target for growth. Obviously, the growth rate would spring up from day one of independence — but that is ridiculous. He said that our full share of UK revenue — excluding oil, because that would already be counted at 100 per cent under the £4.4 billion deficit — would wipe out another 8 per cent. Scotland does not have a fiscal surplus. When we account for the population base in all non-identified expenditure in GERS, that is the simple fact. To say that we should have our fair share is therefore ridiculous.

Best of all, Mr Mather said that the SNP would implement “proper and full Gershon savings”—[Official Report, 23 December 2004; c 13260.]

That would take away another 11 per cent of the deficit. As we know, Gershon is predicated on thousands upon thousands of job losses in Scotland. Is that now SNP policy?

Stewart Stevenson: Will the member give way?

Jeremy Purvis: No, I will not.

In addition, in the very next sentence of his speech Jim Mather said that Scotland should have a fair share of civil service jobs and defence spending, which would wipe out even more of the deficit. Those are civil service jobs that the SNP supports being cut, and spending on defence that it is opposed to, which is laughable. SNP economic policy is ridiculous, ludicrous and laughable.

The new big idea, which the SNP launched on Tuesday, is an oil fund modelled on that of Norway. It is true that Norway’s oil fund is substantial, but it will not be the solution to all ills for all eternity, as Sonny Salmond would have us believe. On Tuesday he said that the fund will provide an income for Norway for the rest of time. Obviously that is the SNP’s aim for Scotland, but there is no mention of revenue forecast from such a fund in any SNP documentation, such as its recent flawed policy pronouncement on pensions. The SNP would rely wholly on its version of the oil fund to pay for public services. The Norwegian oil fund has been described recently as the pension fund for Norway, but Norway’s central bank, which administers the fund, said recently that it would not be able to pay more than one quarter of Norway’s pension obligations and that the rest must come from taxpayers.

The SNP has no coherent budget policy and no coherent economic policy and not once has it proposed an alternative to the Executive’s budget. Its members have said this week in the chamber that they want more spending on housing, health and pensions, but they continue to argue for corporation tax, although we do not know at what rate, and they claim that independence would wipe out our fiscal deficit at a stroke. As I said, that is ridiculous, ludicrous and laughable.

16:01

Mark Ballard (Lothians) (Green): As has been outlined, this is a debate on the principles of the budget. I agree with Brian Monteith that the budget process does not favour amendment; it is designed for scrutiny, not alteration. That raises wider questions about what we want the budget process to achieve and what we want the relationship between the Executive’s budget and the legislature to be. If, as the Executive parties seem to be suggesting, we want to make amendments to the budget, we need to change the process to make that possible.

However, the debate is about the principles of the budget and in the short time I have I will concentrate in more detail on some of the practices in the budget. Members with good memories might recall that last year I sought to draw attention to the contradictions in the transport section of the budget in particular. When I first read the budget document, I could not see the figure for the M74 — the massive spending on road building in Glasgow. The reason why that figure does not appear anywhere in the budget is because the Executive has chosen to exclude capital and depreciation in its calculations of transport spending. When it is included, spending on public transport makes up a much smaller share of overall transport spending than the Executive’s oft-quoted claim of 70 per cent by 2007-08. That massive spending on the expansion of road building in Scotland does not appear in the budget because we are using a private finance
initiative scheme—a scheme that will spread the cost over 20 years and which will, I argue, mortgage our transport for the next 20 years and make the 70 per cent figure laughable.

On top of that, a closer look at what is included in the Executive’s public transport spending is revealing. Included are grants to piers and harbours, grants to the Tay road bridge, the transport agency development fund, the regulation of utility road works and, as my colleague Shiona Baird pointed out to the First Minister, the road haulage modernisation fund. Those are all worthwhile projects, but why do they appear in the public transport sector of the budget? How can we have a proper debate about the principles of the budget when projects are hidden as PFI schemes and not treated properly, and when the road haulage modernisation fund, which is clearly not about public transport, is included in the public transport section?

We could discuss a host of other issues, such as funding for affordable housing in Scotland. We could discuss proper funding of the Scottish Environment Protection Agency which, as my Green colleagues have pointed out, faces real difficulty in meeting Government objectives in relation to the European water framework directive because it is not getting enough funding. We could discuss the continuing crisis in the health of our nation, which is caused partly by the fact that we spend so much on our national sickness service; we deal with people once they become sick and do not do nearly enough to prevent their becoming sick. We are spending £8 billion on the NHS in 2005-06, but not even £80 million on health improvement. We need that spending on public health improvement to ensure that we have a healthier nation.

Fundamentally, the budget is not about transport, the environment, affordable housing or health. It is a budget, like the previous ones, that is about meeting the Executive’s obsession with economic growth. Until we have a budget that has a different set of principles and is not simply about arbitrarily increasing one measure of our economic well-being, we will not have a budget that can be fully supported.

16:05

Frances Curran (West of Scotland) (SSP): I want to ask about transparency. Given that the entire Scottish budget is a lump sum that we are given by Westminster, it is obvious that Westminster’s efficiency review, which is designed to save £21 billion by 2008, will affect the position in Scotland.

Gordon Brown breenged into the discussion in Scotland and in other devolved authorities about the announced 20,000 job cuts. There was a bit of a furore and the Scottish Executive denied that it would be taking on board Gordon Brown’s cuts. In the press, ministers said that they would make efficiency savings of £500 million by the 2006-07 budget and £745 million by 2007-08. However, quite often, efficiency savings and moving front-line jobs are euphemisms for job losses and cuts. Where will the efficiency savings be made in the budget? Will they come from the £7.5 billion that is allocated through the Scottish Executive Finance and Central Services Department? What will the savings consist of? Will the Executive give the civil service union, the Public and Commercial Services Union, a guarantee that, as it moves towards so-called savings in the budget, there will be no compulsory redundancies? Will the minister clarify whether the savings will be achieved by taking more public services that are currently provided by civil servants into the private sector? Is that part of the Executive’s strategy to secure the savings? I would like the Executive to identify those elements for us so that we are clear about the implications for job cuts.

The budget is supposed to be equality proofed. Equal opportunities was one of the founding principles of the Parliament. Where and how does the Executive propose to build in financing for equal pay for men and women in the public sector? I hope that the nursery nurses take the councils to court to establish equal pay for their jobs, but workers should not have to take the Executive, kicking and screaming, to tribunals to get equal pay. That initiative should come from the Parliament. Under which budget headings has equal pay been built in? I would like to hear what the minister has to say on that point.

16:08

Des McNulty (Clydebank and Milngavie) (Lab): I want to correct an impression that one or two members might have given. The procedures are adequate in giving members of all parties the opportunity to propose alternatives to the budget. What is interesting is that, if such alternatives are presented, they are scrutinised by an informed committee, whether that be a subject committee or the Finance Committee. Perhaps the fact that serious questions will be asked has acted as a disincentive to people who might otherwise have brought forward alternatives. I suppose that Brian Monteith, as the Conservatives’ finance spokesman, has the option of being a member of the Finance Committee and scrutinising issues along with the rest of us. It is wrong to say that the procedures are inadequate in ensuring the ability to present alternatives.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Every year, we hear the
argument that non-Government parties should produce a complete alternative budget. Will Des McNulty remind me whether Tony Blair produced an alternative budget before 1997? The answer is no, is it not?

Des McNulty: Tony Blair published detailed proposals, which we have yet to see from the SNP. I will pick up Jeremy Purvis’s point about Sonny and Cher. Perhaps the song that Nicola Sturgeon and Alex Salmond should sing to each other is “It’s not you babe”, because we are still waiting to hear anything of substance from either of them.

It must be said that the Conservatives have produced something. We have the James report, on which Oliver Letwin’s proposals are based. However, when we examine the proposals—we do not have full publication of them—we see a gap where Scotland should be. Perhaps the Conservatives’ proposals contain a paradox, because Brian Monteith has said that the size of the Scottish block would not be affected, whereas I understand that Oliver Letwin says that about £35 billion of savings would be made.

Mr Monteith rose—

Des McNulty: Perhaps Brian Monteith wants to intervene to tell me exactly what would happen to the Scottish block. In that case, I would be delighted to defer to him.

Mr Monteith: It is gracious of the member to invite me to intervene. I am happy to answer him by saying—as I said in my speech—that Oliver Letwin has guaranteed that the Barnett consequentials will be the same as those that are proposed in Gordon Brown’s spending plans. We have gone further, by saying that Barnett consequentials that do not match those proposals will be topped up to match them. There is no need to debate cuts. We need a debate about spending priorities.

Des McNulty: I presume that the Tory slogan for the next election will be “Less is more”, which is perhaps consistent with the Tory approach. Brian Monteith talked about cutting council tax but, as I have said frequently in the chamber, I have a strong recollection of council tax increases in 1995, 1996 and 1997, all of which were based on Conservative policy choices. Taxes for businesses increased significantly more at that time than they have under Labour. Those of us with longer memories should not allow people whose memories are not as exact to forget what the Conservatives did and would do in power.

Jim Mather makes the same speech every time. The paraphrase of it is that more powers would solve all Scotland’s problems at a stroke. His Jeremiah speech is unfair to Scotland on two counts. There are things wrong with Scotland’s economy, such as the features that the Finance Committee has identified, which include the need to change the balance between the private and public sectors, the need to improve Scotland’s transport infrastructure and—properly—the need to address how the university sector can be improved and made more fit for the purpose of delivering opportunity.

Jim Mather rose—

Des McNulty: The problem with Jim Mather’s approach is that he takes us away from addressing such problems, which fundamentally concern how we spend the money that we have. To that extent, his approach has a diversionary aspect that does not serve Scotland well.

Jim Mather: Will the member give way?

The Deputy Presiding Officer: The member is in the last minute of his speech.

Des McNulty: The second point on which Jim Mather lets Scotland down is that he does not take the honest position of being Churchillian, saying that independence would mean blood, sweat, toil and tears and telling us exactly how the SNP would deal with the missing billions and what services would be cut to follow the hard route towards independence. Saying that more powers would deliver immediate benefits is not an honest position. Jim Mather needs to own up to that. [Interruption.]

The Deputy Presiding Officer: Order.

Fergus Ewing: On a point of order, Presiding Officer. I am sorry to raise the matter, because time is constrained, but I seek your guidance. We know that it is not competent for members to intervene in the last minute of a speech. Sometimes we counsel against that because we are not convinced that sufficient time is available to take and deal with an intervention. However, ultimately, whether to take an intervention in the last minute is up to members.

Stewart Stevenson (Banff and Buchan) (SNP): I think that the discourtesy that has been displayed today was not against Jim Mather—his back is broad—but against the ambassador from Luxembourg, whom we saw representing that independent nation of a small and successful kind in the distinguished guests gallery this morning.
I return to a recurring theme when I speak in finance debates—the lack of conformity to good accounting principles in how we lay things out. As long ago as the 13th century, the Florentine bankers developed a system of double-entry bookkeeping in which one could see the sources and application of money. Ironically, to use that system and record effectively, they had to use not the Roman number system but the Arabic one, which had the number zero in it, although that was forbidden by the city authorities. The word for zero in Arabic is “sifr”, from which we get today’s word “cipher”, and it was considered that using that system concealed the truth. Encipherment sometimes seems to be the way in which our accounts are dealt with.

I was grateful to Jeremy Purvis for bringing up pensions. As I look through the accruals in the bill—which I shall say more—I note that there is very little in the way of accruals, or income. Let us look at the accruals that derive from superannuation. The figure for teachers is £1.156 billion, which immediately transfers to expenditure on pensions. The whole way in which we are managing pensions is going to bite and bite hard. I do not say that we will be able to solve that problem in one, two or three years; it is a long-term problem that we must engage with. That applies equally to 11 Downing Street as it does to people here.

In the brief time that is available to me, I will talk about accruals. Looking at the figures for the Scottish Executive Development Department, I see that we are going to get a total of £100 of income from 10 line items, including “Receipts from Energy Action Grant Agency” and “Fees for functions carried out by the Scottish Building Standards Agency”. That is not a great deal. We might ponder that question today in particular. I ask members to recall that, just three hours ago, at First Minister’s question time, both the SNP and the Tories were worried about the UK Parliament trespassing on the Scottish Parliament’s areas of responsibility for one family in one place who occasionally come to Scotland, yet here we are, three hours later, discussing spending plans that will affect every Scottish family in every single community on every single day of the year, and the silence is deafening. To be fair, Brian Monteith commended to us Oliver Letwin’s plans. It is fair to say that Oliver Letwin has not been tiptoeing or trespassing on Scottish plans; he has been like a rampaging elephant.

My colleague, Des McNulty, took a significant intervention from Brian Monteith on that, when he said that we would get the Barnett consequentials of Oliver Letwin’s plans. Of course, the Barnett consequentials of £35 billion of cuts is £3.5 billion of cuts. Therefore, it is perhaps not a surprise that we have heard not a squeak from the Sewel-sensitive Scottish Tories about where those cuts will fall in Scotland.

Mr Monteith: Will the member explain why the £23 billion of efficiency gains that Gordon Brown talks about are not sold as cuts, but the £35 billion of efficiency gains that Oliver Letwin talks about are sold as cuts? Both figures are clearly based on the same analysis and both are efficiency gains.

Ms Alexander: Tempting as it is for me to enter into the efficient government debate, I will resist for once and come to the central question that I want to pose to the Tories.

The biggest item in the budget that we are debating today is the Scottish health service. In that item, the Tories have a big idea that we are going to introduce health vouchers worth half of the cost of treatment. Of course, such a health
voucher is only any use if the person using it can afford to top it up. No wonder that even Brian "free market" Monteith is frightened to go out and argue that the Tories' central budget proposal is to destroy 50 years of consensus about health care being dependent not on the size of a person's bank balance but on their need.

I turn to the SNP. This morning, the SNP was also sounding off about Sewel trespassing, but there has been no SNP budget, not even from another place. It is all so different from 15 years ago when, like snowdrops in spring, one could rely on there being an SNP budget. Those with good memories will remember the refrain "Everybody else fiddles the figures but not the SNP." The only problem was that eventually the SNP could not find one independent commentator who would put their name to an SNP budget that tried to spend the oil first to balance the books and then all over again to have a nest egg. Much better than spending the oil money twice was to jump on the bandwagon of an issue of public concern, preferably one that could be blamed on another place, such as pensions. It is much better to bleat than to face the tough choices that budgets bring.

The Executive has brought forward a budget that balances the books, boosts services and promotes economic growth. I commend it to the chamber.

16:23

Murdo Fraser (Mid Scotland and Fife) (Con): In the short time available to me, I will consider the impact of the budget on the economy, which the Executive is always telling us is its top priority.

By a fortunate coincidence, three sets of relevant figures came out this week. The latest growth figures were published, to which Jim Mather referred. They show that in the third quarter of the year 2003-04, Scotland's growth was 1.8 per cent against the UK's rate of 3.2 per cent. Of course, Scotland's growth in the previous year was also 1.8 per cent, and the UK's was 2.8 per cent. Therefore, the gap has widened again. We know that manufacturing is a major reason for that, because it has suffered tremendously in the past five years and continues to decline.

We had a second set of figures on the trade gap. The deficit in Scotland's balance of trade was £3.96 billion in 1998, which is not a figure to be proud of. In 2001, the gap rose to £6.8 billion, which represents one tenth of the Scottish gross domestic product. The size of the United States' trade gap compared with its GDP is often criticised, but the Scottish figure is double that of the US and, rightly, should be criticised.

The third set of figures is on the enterprise gap, which has also widened. There are fewer entrepreneurs in Scotland than there were a year ago. Then, 5.5 per cent of the population was regarded as being entrepreneurs, but the figure now is 5.2 per cent. The UK figure has also fallen under this tax-and-spend Labour Government, which is not surprising, but it is still well ahead of the figure in Scotland. Again, the gap between the UK and Scotland has widened.

What should the Executive be doing? First, it needs to start tackling the size of the public sector. We have raised that issue time and again, as have many independent commentators. It is simply not sustainable to have a public sector that consumes around 54 per cent of GDP. The latest quarterly figures show an increase of 7,230 staff in local government. It would not be so bad if they were all in front-line services, but I do not believe for a minute that they are. The public sector continues to grow, despite all the warnings.

Secondly, the Executive should reduce the business rate. With the setting of the English rate, the gap has widened again. We know that the business rate goes straight to the bottom line of every business in Scotland and that it is a major factor in our poor progress on economic growth.

If we consider the budget as a whole, we see that, apart from revenue from the business rate, the money that the Executive gets comes from London in a cheque from Gordon Brown. Therefore, as Brian Monteith said, it is entirely appropriate that we should examine the wider picture at UK level. As he said, the Institute for Fiscal Studies identified yesterday an £11 billion black hole in the UK budget. That means that, under a Labour Government, the national tax burden is likely to reach a 25-year high by 2010 and that hard-working families across Scotland will have to pay £1,000 a year more. Of course, the result of that is that money will be sucked out of the economy and economic growth will slow even more than it has done.

Never mind—there is hope. Over the skyline on his charger comes our good friend Oliver Letwin, with his Conservative plans to benefit the Scottish economy. The James report, to which members have referred, identified £35 billion in savings. If Wendy Alexander examined the detail of that, she would see that the budget increases would be in the devolved areas, such as health and education. Of course, that would mean that Scotland would continue to receive what it does under the Barnett formula. The generosity that the UK Government has shown towards Scotland would continue and we would also have £4 billion in tax cuts. Therefore, Scotland would benefit twice; the very generous amount of money would continue to come in, but we would avoid the tax rises that would be inevitable under a new Labour Government. People in Scotland would have more
money in their pockets and we would get economic growth as well as the same level of public services.

Therefore, my advice to the Minister for Finance and Public Service Reform and, indeed, to all those concerned with Scotland’s finances and economic growth is clear: vote Conservative.

16:28

Mr Frank McAveety (Glasgow Shettleston) (Lab): I welcome the budget report and the behind-the-scenes work by the members of the Finance Committee and the staff who supported the committee in its appraisal of the budget.

In a sense, the budget looks at two fundamental things about which I do not think there is much disagreement in the chamber. One is how we deal with the elements of what we would call the new economy, which involves the retail and service sectors, and the high-knowledge economy. The issue is how we find ways in which investment can maximise opportunities for communities across Scotland. My contribution to the debate will be to consider how we can make the connections that will impact most markedly on the areas in which the greatest disadvantage exists. Obviously, that includes the Glasgow Shettleston constituency. Given the statistics that have been announced on a range of social policy, there is no doubt that if we can get the economy operating more effectively in disadvantaged areas or engage such areas in economic activity, we can change markedly the social make-up of those communities.

Another key thing is to ensure that resources flow in the right direction, so that individuals have the knowledge and education with which to enter the job market and so that new opportunities and investment can be targeted on those areas. It is not, as the Tories have claimed, about the level and scale of public spend. Like many lessons of the 1980s and 1990s, what we do with the public spend is much more critical. All major economies recognise that there is little or no difference in most European democracies in terms of public expenditure; the debate is about what that money is spent on.

If anything is a legacy of the 1980s and 1990s in the community that I represent, it is the scars that have been left by the economic policies that were followed by the Conservatives. We have levels of incapacity benefit that are unacceptable. We have high levels of lone-parent households with people who find it difficult to find employment. We also have a generation of workless households. Those things were never the concern of the Tory Administrations of the 1980s and 1990s. As someone who taught in the east end of Glasgow for a considerable period of time, I think that there is a marked difference there at present from what I experienced in the 1980s and 1990s when I was living and teaching in the east end of Glasgow.

We need to ensure that our economic strategy tries to make those differences. Where I differ from some other commentators in today’s debate is that I welcome the M74 development. I believe that that is one of the key elements of economic regeneration for one of the most disadvantaged communities in Scotland. The trick with that development is to ensure that the community benefits, as previous investments have sometimes missed it out.

There must also be a commitment to ensure that, when we engage in major facility developments, we identify areas of disadvantage as key, conscious choices. I make no apologies for having argued that in the past, in my role as an individual MSP and in my role as a minister. That is why I welcome the national facility development in the east end of Glasgow. That sends a message of confidence and improvement.

We have a very different world now from the one that we had 20 years ago. We have a labour market in which the debate is about not lack of work, but skill shortages. The level of public sector employment is at an all-time high and we have a level of youth unemployment that is much more manageable than has been the case for generations. When I hear the Tories say that Oliver Letwin is the answer to some of the problems, I think that that will go down in the political lexicon as Letwin’s folly. There is no doubt, in my opinion, that we have serious problems if the Tories believe that they can square the circle that they have drawn this afternoon.

From the nationalists, we have heard a counsel of despair—they say that until we have more powers there is very little that we can do. Jim Mather even used the word “strategic” to mean politicians having a key word for pet projects to make them sound more important. I therefore look forward to hearing next week the SNP’s strategic election demand: independence for Scotland. I am conscious of Fergus Ewing’s concern about ensuring that we do not make any political attacks in case people feel rather sensitive about that. It strikes me as a disappointment that the combined intellectual wit and economic knowledge of Jim Mather, Fergus Ewing, Murdo Fraser and Brian Monteith could not produce even a fragment of a budget that responds to the Executive’s direction in its budget expenditure.

In the past five years, the Executive has made a marked difference to the community that I serve, and I believe that the budget deserves the support of the chamber.
16:33

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): I agree with Frank McAveety that what matters is how Governments spend money and whether they do so effectively and efficiently. I agree, too, that projects such as the M74 should be supported—and are supported, I believe—by mainstream opinion in Scotland. There is a certain consensus in respect of those aims.

I want to address the topic of transport in relation to the budget. We know that there are huge challenges facing Scotland, not just in the Highlands, which I represent, but throughout Scotland. We know that the sum that is required to bring our road network up to a top-class standard but just to a reasonable standard is £4,000 million over 10 years. We know that our rail system in Scotland, although it is improving, is second class in comparison with that in continental Europe. We know that our air services in comparison with those of Ireland are inferior, fewer and less frequent, although we are a larger country. That is not a legacy in which successive Westminster Governments can take a great deal of pride.

However, I will be characteristically positive—as members would expect me to be—by offering some free and unsolicited advice to the Executive. The advice is that the Executive should cancel a new policy on which it is about to embark. I refer to lorry road user charging, which is about to be introduced to deal with the problem of the foreign freight lorries that come into Britain but pay no vehicle tax. In addition, those lorries do not generate any fuel tax because their drivers bring their fuel into the country.

To tackle that problem, the Government has decided that it will introduce road user charging of 15p per km, but only for lorries. Because of a fuel duty rebate, the charge will be revenue neutral. The only extra income will come from foreign vehicles and will amount to around £140 million a year. However, the technology to collect that £140 million a year might cost between £500 million and £600 million. Mr McCabe’s colleagues down south are about to embark on a system that will cost approximately three times more to run than the revenue it will raise. The matter is reserved, but we will be landed with the consequences in Scotland.

Mark Ballard: Does Fergus Ewing agree that the advantage of a revenue-neutral scheme like that is that it will encourage fuel efficiency? I am thinking of the shift in emphasis from fuel to distance.

Fergus Ewing: That is the theory, but the practice is different. The scheme that the Government proposes has a lower cost for using motorways and a higher cost for using trunk roads. That will encourage lorry drivers to go on longer journeys to avoid paying more than they need to. The scheme will encourage longer journeys, which is something that fuel tax does not do. If people have to pay as they go, they will travel by the shortest possible route.

I am sure that the Executive will ignore the advice that I have given it. Sadly, it is clear that we have inefficient Governments in London and Scotland. The public expect us to try to use money effectively, but that is not happening in the Scottish Executive’s work in the transport area.

16:37

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): Tom McCabe said, rightly, that the bill is probably the most important bill in the parliamentary calendar. It is a pity therefore that we do not have a little longer in which to discuss it in more detail. He also said that he felt that the Executive had improved on the budget process. I concede that the Executive has taken on board many of the Finance Committee’s recommendations. Jeremy Purvis was right to acknowledge the improvements that have been made, especially in the presentation of the budget document.

I agree with Jim Mather, Brian Monteith and other members that the budget shows few signs of an overall strategy or clearly defined targets. The Executive’s refusal to accept targets for economic growth means that the budget does not appear to be making Scotland more competitive. In their speeches, Des McNulty and Wendy Alexander quizzed that rampaging elephant Oliver Letwin’s guarantees on the Barnett formula, but Brian Monteith and Murdo Fraser sorted them out on that front.

Des McNulty was absolutely right to say that we need to change the balance between the public and private sectors. Tom McCabe went out of his way to emphasise the Executive’s massive spending. Certainly, Andy Kerr, the former Minister for Finance and Public Services, told us that since devolution there had been the longest and largest sustained rise in public spending in living memory. According to the budget, the year 2005-06 will see public spending rise to a massive £25 billion—a 54 per cent increase over the 1999 figure. Although health will see a 70 per cent increase and education a staggering 83 per cent increase, does that mean that waiting lists and waiting times will be down or that our schools will do better? The answer is no, no and no.

As we heard in the debate, Conservatives are not against public spending per se. Scotland’s
block grant would increase at the same rate as that which Labour proposes. The significant difference, however, is that sustained investment would not require the third-term tax rises that most independent analysts agree are inevitable if Labour is re-elected. Conservatives will not throw public money at problems without first having a clear idea of the outcomes and the likely costs that are involved.

Frances Curran and Wendy Alexander raised the matter of efficiency and efficiency gains. I wish that Wendy Alexander had been tempted rather more into speaking about efficiency, but she drew back from doing so. One of the main building blocks of the budget is the document entitled “Building a Better Scotland: Efficient Government—Securing Efficiency, Effectiveness and Productivity”, which the Executive has published and which sets out the plans to find £1.7 billion in efficiency savings over three years to 2007-08.

Stewart Stevenson: Does the member agree that efficiency is not related to expenditure and that one can reduce expenditure and decrease efficiency?

Mr Brocklebank: I am not absolutely sure what Stewart Stevenson is asking, but I will say that there appears to be no radical agenda for reducing the scope and therefore the size of government, despite Mr McCabe’s mixed messages.

In the Minister for Finance and Public Service Reform’s interview in The Times, he seemed to accept that public service job losses are inevitable. He said that he expected to see an increasing number of people working on the front line, but fewer people overall and he committed himself to streamlining government. However, what do we find? The latest quarterly figures show that the number of council workers has now rocketed through the quarter of a million mark, with an extra 7,000 staff employed by Scottish councils last year. If that is not bad enough, John Elvidge, who is the Executive’s top civil servant, admitted in response to a question that I asked at the Finance Committee a couple of days ago that the number of civil servants has soared from 3,500 to 4,457 in the past five years, which is a 33 per cent increase over the period. How does that square with Tom McCabe’s pledges on efficient streamlined government? John Elvidge defended the extra civil servants. He says that we need them, but either he is wrong or Tom McCabe is wrong. Perhaps Tom McCabe will explain things to us when he sums up.

Jeremy Purvis: Will the member take an intervention?

Mr Brocklebank: I am sorry, but I am in my final minute.

At the beginning of his speech, Tom McCabe stressed the importance of transparency, and we agree that transparency is important. I may or may not agree with the first of Mark Ballard’s arguments about PFIs, but he is surely right to say that projects such as those that he mentioned should be more clearly spelled out in the budget document.

We need far more transparency in our budget discussions and we need clear and achievable targets. As Murdo Fraser outlined graphically from the figures that have been released this week, improving growth in Scotland is crucial. The budget does nothing to improve growth and entrepreneurialism and it is certainly not strategic or transparent.

16:42

Alasdair Morgan (South of Scotland) (SNP): At the beginning of the debate, the minister said that the budget process is not necessarily easy to understand. We do not necessarily have to apologise for that, because running a country’s budget—or at least the part of its budget that we control, as we control only part of the country’s expenditure and virtually none of its income—is bound to be a complex matter. However, we are sometimes still a bit opaque in some doings.

Consider the bill that we are setting on its parliamentary progress. When my colleague Stewart Stevenson was talking about some of the accruals, I saw some distinctly blank faces on the benches, although that is perhaps understandable. If one looks at the final few pages of the bill and tries to work out why there is £100 income from the sale of information technology equipment, when the bill by and large consists of figures that are into the billions of pounds, one will find that there are questions that perhaps the Finance Committee might want to ask at stage 2, even if only to keep the anoraks on that committee happy. I am sorry that Jeremy Purvis will not be one of us on that occasion.

Of course, there has been an interesting debate about the Conservatives’ budget and Oliver Letwin in number 11—a most unlikely scenario if ever I heard one, especially mounted on a charger, as Murdo Fraser would have him. Apparently, there was a reassurance that what was done to expenditure south of the border would not affect our Barnett consequentials or, if it did, there would be an extra allocation to the Scottish block. I can see that being popular with the Tory backwoodsmen in the House of Commons. If Mr Letwin ever became chancellor, he would not be able to get away with that.

Mr Monteith: Of course, the member has greater experience of Westminster than I have.
Does he agree that that is exactly what happened in the past, and that Barnett consequentials were topped up or the Barnett formula was adjusted to ensure that Scotland got more money than it may otherwise have got?

Alasdair Morgan: The problem is that the past is in the past. Mr Monteith should know that the mood among his Tory colleagues south of the border is that we should shift for ourselves post-devolution. They will certainly not be willing to give us any top-up. The point is that we should not ask for any top-up; we should not be dependent on expenditure decisions that are made at Westminster to determine the total size of the Scottish budget. We should be responsible for our income as well as for our expenditure.

I presume that Jeremy Purvis, Wendy Alexander and others raised the old chestnut, "Why does the SNP not put forward its own budget?" because they wanted to have some fun voting against it. Most Labour and Liberal members spent most of their time talking about anything other than their own budget. I except Frank McAveety from that stricture, although I suggest to him that simply to say that the reason for the economic decline in the area that he represents is the political colour of the Government in Westminster is to underestimate the size of the problem. There is an inbuilt problem in the system that governs Scotland that contributes to that economic decline.

I return to the question of why the SNP does not have its own budget. Apart from standing order 9.16.6, which states that one cannot amend the budget unless one is an Executive minister—

Des McNulty: Will the member give way?

Alasdair Morgan: No, I will not give way now because I am almost finished.

I do not know how many Government civil servants it took to draw up all the accompanying documents that go with the budget bill, but if the Executive were willing and thought that it would be cost justified to give both us and the Conservatives a similar number of civil servants so that we could come up with our own figures, we might want to re-examine our approach to the question of why we do not have our own budget. I suspect, however, that that would not be a good use of public money.

Leaving aside the accrual of £100 that I mentioned, most of the figures in the budget bill are so vast that any party could come up with a totally different pattern of expenditure in all areas of Scottish life without altering this budget bill. It is clear that none of the details in the budget is in the budget bill, so why bother amending it?

The Presiding Officer (Mr George Reid): Wind up, please.

Alasdair Morgan: The conclusion is clear that Scotland needs to do better and that the Executive does not have the powers to deliver that. If the Executive is not prepared to campaign to get the powers that would allow it to do better, it should move over and let in those who are prepared to do that.

16:47

Mr McCabe: Today's debate has been about agreement on the principles of the budget bill. No one, thankfully, has proposed that we could get by without such a bill. Although several colleagues have made suggestions about its contents, no amendments were proposed at the appropriate time back in December last year. Therefore, I might conclude that not only are we all agreed on the need for a bill, and on the principles that I set out in my opening remarks, but we also seem to have some measure of agreement on the detailed contents.

That said, colleagues have raised a number of important issues during this afternoon's debate, even if they did not always concentrate on the matter at hand. I will try my best to deal with at least some of those issues.

Mr Mather is determined, as is the SNP's wont, to talk down the reality of the situation that people experience day to day in Scotland. He wants to pay much attention to the actions of other European countries and suggests that, somehow, their actions create a better set of circumstances than those that are enjoyed by people in Scotland. However, in doing so, he omits to mention the sustained and stable mortgage rates that people have enjoyed in Scotland over a prolonged period.

Stewart Stevenson: Will the minister take an intervention?

Mr McCabe: No, I will not.

Mr Mather omits to mention the lowest unemployment rate for a generation. He forgets, as I said in my intervention during his speech, that here in Scotland, we have the second-highest level of employment in all Europe. It is not in the SNP's interests to portray that situation and it is determined to deny that this budget will enhance that situation in the future.

Jim Mather: Will the minister give way?

Mr McCabe: No, I will not.

According to Mr Monteith, the Conservatives will perform the magic act of cutting tax while increasing spending. The next thing we know, he will be asking us to believe that, during the Conservatives' previous spell in Government, we did not see unemployment that stinted a generation, mortgage rates that destroyed families
throughout Scotland and the UK, or the horrendous sight of a Chancellor of the Exchequer bopping in and out of Her Majesty’s Treasury as the economy went into meltdown. The economic model that Mr Monteith proposed today is exactly the same as that which led to that disastrous situation.

I have some difficulty with Mr Ballard’s comments about the nature of the Executive’s budget, because I absolutely agree with him. He said that the budget is predicated on the Executive’s obsession with growing Scotland’s economy—and he is absolutely right. That is why I can stand here and cite the statistics that I have already mentioned.

Jim Mather: How can the minister make such a comment when we have discovered this week that, despite his predecessor’s claims that economic growth was the top priority and that he would look for improvements in gross domestic product per capita, we achieved a pathetic growth rate of 1.8 per cent last year during Mr Kerr’s term of office, against a UK growth rate of 3.2 per cent?

Mr McCabe: Again, we see Mr Mather’s selective use of statistics. Mr Mather takes the annual figure and completely ignores the quarterly figures, which tell an entirely different story about Scottish economic performance.

Ms Curran mentioned efficient government. We have made it perfectly clear to the trade unions that we will do all in our power to resist any compulsory redundancies and will employ the best human resource practices in that respect. However, although we have said that we will retrain as many people as possible, we think that it would be disingenuous for anyone in a vibrant economy to give an absolute guarantee about redundancies.

I accept Ms Curran’s point about equality proofing. In its evidence to the Equal Opportunities Committee, the Executive acknowledged that there is more to do and we have committed ourselves to working with the committee to make progress on that matter.

Mr Stevenson’s speech was a tour de force about the accounting practices of ancient European economies. I would have thought that, with all that knowledge, he would have known that the insertion of the £100 that he mentioned is a convention that is used when there is uncertainty about the income generated. When that figure becomes more certain, it is added to the next revision. Perhaps Mr Stevenson is like the rest of his SNP colleagues in being more knowledgeable about the past and less concerned about Scotland’s future.

Stewart Stevenson: Will the minister give way?

Mr McCabe: No.

I have no doubt that Mr Morgan will apologise to Ms Sturgeon for forgetting that, in fact, she proposed an amendment to a previous budget.

We recognise that the money in the budget belongs to the people of Scotland. It is our duty to ensure that we allocate it to meet their priorities and to get the best value possible for every pound that we spend. We also acknowledge that we need to improve efficiency in the public sector. Last year, we launched the efficient government plan for tackling waste, bureaucracy and duplication in order to increase and improve frontline services. We are taking that action not just for the sake of it, but to give real assistance to those who deliver education, health care and justice to the people of Scotland.

Our partners in local government will play a key role in helping us to meet those commitments. By March 2008, core funding through aggregate external finance will have increased by 55 per cent since 1999-2000 and a total of £30 billion will be available to local government over the next three years. In such a growth situation, it is only right and proper to seek out efficiencies and reassure people in Scotland that each pound of theirs is being spent to best effect.

This budget is only the beginning of the plans that we announced last September. It builds for the future by building up our infrastructure, including our schools, hospitals and transport network, and by providing a modern, sustainable base that allows our economy to grow and gives the support that our public services deserve. Such an approach will benefit and strengthen all our communities. Those are the things that people care about and which make a real difference—initiatives that seek not to promote a dependency culture but to provide people with real choices about how they live their lives.

That, Presiding Officer, is the budget that we present to Parliament today. Above all, it is a budget for ambition, for choice and for enterprise, and a budget that rejects the narrowness of nationalism and the selfishness of conservatism. It is a budget that portrays Scotland as a confident country, promoting opportunity and—while doing so—pursuing fairness.
The Presiding Officer: The next question is, that motion S2M-2291, in the name of Tom McCabe, on the general principles of the Budget (Scotland) (No 2) Bill, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR
Alexander, Ms Wendy (Paisley North) (Lab)
Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
Baillie, Jackie (Dumbarton) (Lab)
Baker, Richard (North East Scotland) (Lab)
Barrie, Scott (Dunfermline West) (Lab)
Boyack, Sarah (Edinburgh Central) (Lab)
Brankin, Rhona (Midlothian) (Lab)
Brown, Robert (Glasgow) (LD)
Butler, Bill (Glasgow Anniesland) (Lab)
Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
Curran, Ms Margaret (Glasgow Baillieston) (Lab)
Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
Eadie, Helen (Dunfermline East) (Lab)
Fergusson, Patricia (Glasgow Maryhill) (Lab)
Finnie, Ross (West of Scotland) (LD)
Gillon, Karen (Clydesdale) (Lab)
Glen, Marilyn (North East Scotland) (Lab)
Henry, Hugh (Paisley South) (Lab)
Home Robertson, Mr John (East Lothian) (Lab)
Hughes, Janis (Glasgow Rutherglen) (Lab)
Jackson, Dr Sylvia (Stirling) (Lab)
Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
Kerr, Mr Andy (East Kilbride) (Lab)
Lamont, Johann (Glasgow Pollok) (Lab)
Livingstone, Marilyn (Kirkcaldy) (Lab)
Lyon, George (Argyll and Bute) (LD)
Macdonald, Lewis (Aberdeen Central) (Lab)
Macintosh, Mr Kenneth (Eastwood) (Lab)
Maclean, Kate (Dundee West) (Lab)
Macmillan, Maureen (Highlands and Islands) (Lab)
Martin, Paul (Glasgow Springburn) (Lab)
May, Christine (Central Fife) (Lab)
McAteer, Mr Frank (Glasgow Shettleston) (Lab)
McCabe, Mr Tom (Hamilton South) (Lab)
McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
McMahon, Michael (Hamilton North and Bellshill) (Lab)
McNeil, Mr Duncan (Greenock and Inverclyde) (Lab)
McNeill, Pauline (Glasgow Kelvin) (Lab)
McNulty, Des (Clydebank and Milngavie) (Lab)
Morrison, Mr Alasdair (Western Isles) (Lab)
Muldoon, Bristow (Livingston) (Lab)
Mulligan, Mrs Mary (Linlithgow) (Lab)
Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
Murray, Dr Elaine (Dumfries) (Lab)
Oldfather, Irene (Cunninghame South) (Lab)
Peacock, Peter (Highlands and Islands) (Lab)
Peattie, Cathy (Falkirk East) (Lab)
Pringle, Mike (Edinburgh South) (LD)
Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
Radcliffe, Nora (Gordon) (LD)
Robson, Euan ( Roxburgh and Berwickshire) (LD)
Rumbles, Mike (West Aberdeenshire and Kincardine) (LD)
Scott, Tavish (Shetland) (LD)
Smith, Elaine (Coatbridge and Chryston) (Lab)
Smith, lain (North East Fife) (LD)
Smith, Margaret (Edinburgh West) (LD)
Stephen, Nicol (Aberdeen South) (LD)
Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
Watson, Mike (Glasgow Cathcart) (Lab)
Whitefield, Karen (Airdrie and Shotts) (Lab)
Wilson, Allan (Cunninghame North) (Lab)

AGAINST
Baird, Shiona (North East Scotland) (Green)
Balantine, Chris (South of Scotland) (Green)
Ballard, Mark (Lothians) (Green)
Byrne, Ms Rosemary (South of Scotland) (SSP)
Canavan, Dennis (Falkirk West) (Ind)
Curran, Frances (West of Scotland) (SSP)
Fox, Colin (Lothians) (SSP)
Harvie, Patrick (Glasgow) (Green)
Kane, Rosie (Glasgow) (SSP)
Leckie, Carolyn (Central Scotland) (SSP)
Martin, Campbell (Lothians) (Ind)
Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
Scott, Eleanor (Highlands and Islands) (Green)

ABSTENTIONS
Adam, Brian (Aberdeen North) (SNP)
Aitken, Bill (Glasgow) (Con)
Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
Cunningham, Roseanna (Perth) (SNP)
Davidson, Mr David (North East Scotland) (Con)
Douglas-Hamilton, Lord James (Lothians) (Con)
Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
Fergusson, Alex (Galloway and Upper Nithsdale) (Con)
Fraser, Murdo (Mid Scotland and Fife) (Con)
Gallie, Phil (South of Scotland) (Con)
Gibson, Rob (Highlands and Islands) (SNP)
Graeme, Christine (South of Scotland) (SNP)
Hyslop, Fiona (Lothians) (SNP)
Ingram, Mr Adam (South of Scotland) (SNP)
Johnstone, Alex (North East Scotland) (Con)
Lochhead, Richard (North East Scotland) (SNP)
MacAskill, Mr Kenny (Lothians) (SNP)
Marwick, Tricia (Mid Scotland and Fife) (SNP)
Mather, Jim (Highlands and Islands) (SNP)
Matheson, Michael (Central Scotland) (SNP)
Maxwell, Mr Stewart (West of Scotland) (SNP)
McFee, Mr Bruce (West of Scotland) (SNP)
McGrigor, Mr Jamie (Highlands and Islands) (Con)
McLetchie, David (Edinburgh Pentlands) (Con)
Mile, Mrs Nanette (North East Scotland) (Con)
Mitchell, Margaret (Central Scotland) (Con)
Montelth, Mr Brian (Mid Scotland and Fife) (Con)
Morgan, Alasdair (South of Scotland) (SNP)
Mundell, David (South of Scotland) (Con)
Robison, Shona (Dundee East) (SNP)
Scanlon, Mary (Highlands and Islands) (Con)
Scott, John (Ayr) (Con)
Stevenson, Stewart (Banff and Buchan) (SNP)
Sturgeon, Nicola (Glasgow) (SNP)
Swinney, Mr John (North Tayside) (SNP)
Tosh, Murray (West of Scotland) (Con)
Turner, Dr Jean (Strathkelvin and Bearsden) (Ind)
Welsh, Mr Andrew (Angus) (SNP)
White, Ms Sandra (Glasgow) (SNP)

The Presiding Officer: The result of the division is: For 63, Against 13, Abstentions 39.

Motion agreed to.

That the Parliament agrees to the general principles of the Budget (Scotland) (No.2) Bill.
FINANCE COMMITTEE

EXTRACT FROM THE MINUTES

4th Meeting, 2004 (Session 2)

Tuesday 1 February, 2005

Present:

Ms Wendy Alexander  Mr Andrew Arbuckle
Mr Ted Broicklebank  Jim Mather
Mr Frank McAveety  Des McNulty (Convener)
Alasdair Morgan (Deputy Convener)  Dr Elaine Murray

Apologies were received from John Swinburne.

Budget Process 2005-06: The Committee took evidence from:

Tavish Scott, MSP, Deputy Minister for Finance and Public Sector Reform; and

Richard Dennis, Team Leader, Finance Co-ordination and Iain Dewar,
Efficient Government Team, Scottish Executive Finance and Central Services
Department

on the Executive’s response to its Stage 2 report. The Minister agreed to provide
additional information on various issues.

Budget (Scotland) (No.2) Bill: The Committee considered the Bill at Stage 2.
Section 1, schedules 1 and 2, section 2, schedules 3 and 4, sections 3 to 5,
schedule 5, sections 6 to10 and the long title were agreed to without amendment.
The Convener: Agenda item 2 is consideration of the Executive’s response to our report on stage 2 of the budget process. I am pleased that the Deputy Minister for Finance and Public Service Reform, Tavish Scott, is here to answer members’ questions on the response. He will also remain for our stage 2 consideration of the Budget (Scotland) (No 2) Bill. With the deputy minister are Richard Dennis, the finance co-ordination team leader and Iain Dewar, from the efficient government team, in the Finance and Central Services Department of the Scottish Executive. I wish that the Executive could find shorter names for its divisions and subdivisions.

We have the minister’s response in front of us, so the sensible way to proceed is to invite members to pose any questions that they have.

Alasdair Morgan (South of Scotland) (SNP): I will go first, rather than let the minister go away empty-handed.

With reference to the Executive’s response to point 4 on the target for economic growth, the committee accepts that many factors that influence economic growth are not within the gift of the Executive, but it strikes me that those factors also affect other countries—in particular the rest of the United Kingdom. Therefore, although those factors might preclude the Executive from setting a target for economic growth per se, surely it would be possible to set a target relative to our closest comparators.

The Deputy Minister for Finance and Public Service Reform (Tavish Scott): We have been down this particular avenue a number of times. I would be happy to consider any suggestion that the committee might make if it were possible to define the comparators and what comparisons were being made. The committee is all too familiar with the fact that we have held to the view—I suspect that it is a commonly-held view—that when we are not directly responsible for all the external pressures that apply, a target might be a blunt instrument that would not necessarily achieve anything in terms of economic growth and the strength of our domestic economy. However, if the committee—in particular Mr Morgan—has specific comparative suggestions, we will be more than happy to consider them.

Alasdair Morgan: There is not necessarily an easy solution, but the problem is that if there is no solution we are left with a situation in which there is no measure by which we can judge whether expenditure on the Executive’s main political target—economic growth—is successful, which would be the case even if we were to cross the other hurdle that we will face later in the meeting,
when we try to work out which expenditure is targeted at economic growth. Even if we can do that, we would not have a clue whether that expenditure is successful.

Tavish Scott: I am sure that Mr Morgan will agree that on the devolved areas for which we have responsibility—education, transport or any other particular expenditure programme—we have set targets and objectives and that he, the committee and other portfolio committees rightly hold the Government accountable on those. I argue that in that sense there are checks and balances and that there is appropriate scrutiny of the Government’s expenditure levels in order to create the conditions within which the Scottish economy can prosper. Parliament rightly holds Government to account for such expenditure. That is how we have dealt with portfolio expenditure. I accept Mr Morgan’s point about the lack of a central big number at the top of that, but because of external factors we are not convinced that that is achievable or possible. We have discussed these matters before, so I will not repeat all the slightly academic arguments again. I say again that we will be more than happy to consider any suggestions that are made.

The Convener: When we took evidence from Dr Goudie in our economic growth inquiry, I took it from his comments and from some of the documentation that we had seen previously that the Executive was in the process of considering some comparative measures of performance in economic development. That is little more than a step and a jump from where the committee wants to go. There is not necessarily a huge distance between us on the matter. If you are saying that you are happy to engage in a dialogue with the committee to see how we could provide an appropriate mechanism for considering comparative performance as a benchmark, the committee might be content with that suggestion. We would certainly welcome an opportunity to have that discussion with you.

Tavish Scott: I am happy to do that. I do not see any point in having a sterile or negative political argument; I would rather have a positive one in which we looked for an agreed basis for such comparators. We might not reach agreement, but there is certainly some merit in pursuing the matter.

The committee is also familiar with the fact—because ministers have mentioned it and spoken about it in finance debates over the years—that the Executive has an overall objective in relation to the top quartile of gross domestic product performance. We will continue to pursue that objective. We are happy to consider comparators that would be meaningful to all of us.

The Convener: What is important from my point of view is how we close the gap between an aspirational objective, which as you say is to move to the first GDP quartile, and the mechanism for moving in that direction. That might be a useful subject for debate.

I will add one other issue to the discussion before I bring in Wendy Alexander. You said that you do not have control over many of the issues that are involved, which is obviously true in the context of the role of the UK Government and of external factors that are not affected by Government. Is there dialogue between the Scottish Executive and your Westminster counterparts about setting forecasts and expectations in relation to economic growth, and about how such expectations might be met? Is there a process of informal or formal dialogue about how you can work together to deliver stronger economic growth for Scotland?

Tavish Scott: There is normal contact at official and ministerial levels on economic development and growth in general, which is an on-going and very live process—we would not expect it to be otherwise. Obviously, in the context of the spending review in the summer, for example, we take decisions about strategic long-term investments, such as the significant increases in higher education spending, in transport spending and in tackling health. Those decisions are taken by us. Although there needs to be dialogue and engagement at official and ministerial levels, the portfolio choices that we make are ultimately matters for us, so we must make judgments as best we can.

The Convener: I was trying to make the point that dialogue between the Executive and the UK Government geared towards economic growth might be beneficial in promoting awareness of the choices that ministers might make and the consequences of choices that the UK Government might make.

Tavish Scott: Indeed. That process is on-going.

Ms Wendy Alexander (Paisley North) (Lab): I approach the issue from a slightly different viewpoint. It is known that I am less interested in targets than I am in forecasting. The minister invited the committee to suggest a constructive way forward.

The Executive recently committed itself to drawing up a long-term financial model, which will be hugely valuable, given that we are currently in a difficult position because we look only three years ahead, although we make policy commitments for 10 or 20 years ahead. The long-term financial model will try to forecast spending. It strikes me as being a little odd that the Executive, which probably employs more economists than
does any other institution in Scotland, does not try to forecast what will happen on the macroeconomic scale. There have been three private forecasts, which I think were joined by a fourth in December.

I presume that we want our spending patterns to be to some extent countercyclical. We therefore need a deep understanding of what is happening in the Scottish economy. Although the Scottish economy is highly integrated into the UK economy, we know that the different composition of the Scottish economy, which was demonstrated in the period 2000-2002 in relation to electronics, has led to a different growth profile in Scotland. The Executive might want its spending patterns to reflect blips that affect Scotland differently from the rest of the UK. The Executive has committed itself to producing a long-term spending model and it is certainly the pattern for Governments in other jurisdictions—small nations or regions—to forecast expected growth in their economies. Such an approach might have allowed a focus on, for example, the downturn in electronics, which was well known to microeconomists in the Executive but could have been considered throughout the Executive in the context of the implications for the forthcoming spending review. Currently, any dialogue that is based on the differential composition of the Scottish economy is entirely dependent on the three private organisations—I think that they have been joined by a fourth—that forecast the Scottish economy.

Has the Executive—in close concert with the Treasury and no doubt making use of the Treasury’s model—considered complementing its long-term financial model with a long-term economic model of the Scottish economy that would have some short-term forecasting capacity? Such an approach is very different from using targets, which I do not regard as being particularly wise. I cannot understand why we moved to targets without first attempting to forecast accurately.

10:15

Tavish Scott: I have a lot of sympathy for that argument. Perhaps all that I can say now is that there are discussions on the issue and that I can come back to Wendy Alexander with more detail.

Ms Alexander: Sure—that would be excellent.

Tavish Scott: Wendy Alexander is also right to pick up on the convener’s point, which is that we can draw on the Treasury’s experience. The discussions that are taking place in that context are more at official level than at ministerial level—I have not yet found many economists at ministerial level, which is probably a good thing. There is considerable room for examining the matter. We need to see both sides of the equation; it seems eminently sensible that we should do so. I am sorry that I cannot give a more precise answer.

The Convener: The matter will be included in the dialogue. The committee would welcome a written response.

Ms Alexander: It would be very helpful if the minister could write to us about the matter in due course.

The Convener: I will bring in Elaine Murray.

Dr Elaine Murray (Dumfries) (Lab): I wanted to raise a different issue.

The Convener: In that case I will bring in Alasdair Morgan first.

Alasdair Morgan: Even if we had forecasts about the growth of the Scottish economy, what flexibility in Government expenditure would there be? Our total expenditure is very much constrained by the Barnett formula. Even though we might want to spend in a cycle that was different from that of the UK economy, the totality of our spend is pretty well determined for us—unless the central unallocated provision will take a much larger proportion of the budget than I am aware of.

Tavish Scott: Of course that is true, but I am sure that Mr Morgan is not arguing that we should cut expenditure. We need to consider carefully where the argument goes; it is about considering the disciplines that are on us in financial terms. For example, we will soon publish the capital investment plan using the model and providing the practical document that the committee has been asking for for some time. The plan will illustrate the balance between capital and revenue over 10 years across portfolios such as transport. It is important to have that consideration vis-à-vis capital and revenue and it is important that we do that transparently and in a way that illustrates that we are investing for the long term, particularly in capital terms. I suspect that we all share that objective.

Dr Murray: Up and down Scotland, people are awaiting the decisions of their local authorities on next year’s council tax. In its response to the committee’s report on stage 2 of the 2005-06 budget process, the Executive says that it "sees no reason for any council tax levels to rise above 2.5% for 2006-07 and 2007-08.”

The submission continues:

“For the coming year, we expect councils to keep rises as low as possible.”

Does that mean that you think that it would be acceptable for this year’s council taxes to increase by above the inflation rate?
Tavish Scott: No. Again, I do not want to repeat the formulations that Tom McCabe and other ministers have used in previous weeks, but we hope and trust that local government, given the considerable resources that are available to it—in excess of £10 billion by 2006-07—can keep council tax increases to a minimum. Obviously, those are matters for the judgment and consideration of local authorities, but we very much hope that authorities will take an extremely responsible and prudent approach on the matter.

Dr Murray: Local authorities are putting the counter-argument that although they have received a lot of additional money, much of it has been accounted for by the duties that have been imposed on them by legislation that Parliament has passed. I have the definite impression from councillors and officials in local authorities that they do not think that they will be able to hold council tax rises down to the rate of inflation this year. That causes concern, particularly for people who are just above the council-tax benefit level, who will probably be the hardest hit. Is the Executive considering the consequences of above-inflation increases in council tax for people at that income level and taking them into account in its wider review of local government finance?

Tavish Scott: The Executive is not doing that; that is why we set up an independent inquiry. However, Elaine Murray’s point is fair in the sense that the inquiry will give the committee an opportunity to take evidence on that. Obviously, there will always be a cut-off point in whatever level Government policy pitches benefits, and therefore there will be some people who do not benefit from them. The independent inquiry was established last year and has just called for evidence, which will include those points.

I cannot add much to what I said on Elaine Murray’s other point, because these are matters for local government. I honestly do not think that it is any finance minister’s job to second-guess what local authorities will want to do. I accept the point about legislation that has been passed by Parliament—we all take responsibility for that. In the two years during which I have done my current job, we have discussed the relationship between central and local government a number of times. I guess that it is a live and on-going relationship, given the point that has been made.

The Convener: The minister, Tom McCabe, acknowledged that the settlement is tight, particularly in the later years of the spending review, and he said that there would be discussions with local government about it. Can you give any indication of what discussions have taken place so far, what discussions are intended and when the process might reach a conclusion?

Tavish Scott: I cannot give any detail on that today but, as the committee knows, we regularly meet the Convention of Scottish Local Authorities, which is the umbrella body for local government throughout the country. We have formal meetings throughout the calendar year; that matter will undoubtedly be a standing item on those meetings’ agendas. I suspect that COSLA will choose to make sure that its view is made known publicly and that we will all hear it regularly. The committee can be assured that those discussions will take place. It is appropriate that local government make known its views, both as individual councils and collectively. Like you, convener, I was a councillor and I do not remember any year in which we did not make representations on the overall settlement.

The Convener: The difference this year is that the Executive appears to acknowledge that there is a particular problem. We are interested in monitoring how it proposes to resolve the issue.

Alasdair Morgan: The minister says in his response that “The Spending Review 2004 settlement for local government is robust”.

I have been reading Mr Humphry’s book on the use of language, so I wonder whether the minister can tell us what “robust” means?

Tavish Scott: Which Mr Humphrys is that, Mr Morgan?

Alasdair Morgan: Just tell us what Mr McCabe means by “robust”.

Tavish Scott: I agree with Mr McCabe that the settlement is robust. Maybe I can—

Alasdair Morgan: What does “robust” mean?

Tavish Scott: May I put the matter in context? We made conscious spending review decisions in relation to substantial increases in higher education spending, in long-term transport spending and in tackling some particular challenges in health. Mr Morgan may correct me if I am wrong, but I did not notice any great dissent from that long-term investment and the strategic overview of where we want to take expenditure patterns during the period of the spending review. That inevitably meant that, after a considerable period of substantial growth in local government spending since 1999, local government got a tighter settlement in the current spending review than in previous ones. I simply suggest that, in the context of overall spending, the Government made a conscious decision to invest strongly in the longer term, particularly in those three areas. I accept that it is a tight settlement in terms of local government.

Alasdair Morgan: Right. So that is what “robust” means.
The Convener: I do not think that Scotland is short of people who can testify to Tom McCabe’s robustness.

Jim Mather (Highlands and Islands) (SNP): I make no apologies for going back to targets and forecasts. The discussions with the Westminster Government to which you referred in an earlier answer did not sound too protracted. Have you discussed the absence of targets and forecasts with the UK Government, given the implication that it is easy for competitor nations to construe the matter and to decide that we are not serious about economic growth? Equally, that thought could start to percolate through to the minds of inward investors, young Scots and potential immigrants, who might think that we are not serious, given that we do not have a forecast for economic growth.

Tavish Scott: I am not convinced that the groups that Mr Mather mentions are hugely influenced by what we might say about a particular number at a particular point in time during a particular parliamentary year. Based on the evidence that I have seen and the feedback from ministerial colleagues who have just come back from China, where they were promoting Scottish business interests, I argue that our overall approach and the environment that we seek to create, within the powers of the Government in Scotland, are moving in the right direction.

Mr Mather will have to forgive me, but I cannot set out exactly what is discussed vis-à-vis the issues between Edinburgh and London, but he can be assured that they are discussed.

Jim Mather: The point that I am keen to register is that, given the nature of the powers that are dispensed across the two legislatures, the Executive and Westminster have a joint and several responsibility to step up to the plate on the matter. Inward investors, young Scots and potential immigrants all work on the basis of enlightened self-interest and seek the best return for themselves, but we have an Achilles’ heel: our economic management is a bit of an own goal because we do not have a forecast. We are sitting here with no powers on tax, no powers to save and no powers to borrow. We are talking up a deficit, and on top of that we have no forecast. That situation will rot in people’s minds unless we do something about it. Will you seriously consider talking to your colleagues at Westminster with the objective of coming up with a joint target and a joint forecast for economic growth in Scotland?

Tavish Scott: I have said what I have said on the issue. I will not go back over it, and I will not add to it and then be picked off in terms of wordings. We have on-going discussions and we will continue to participate in those in the appropriate way. I can only respect and reflect on the devolution settlement. We have the powers that we have, and they are laid out in the Scotland Act 1998. From one political perspective we could want more and from another political perspective we could want less, but we are where we are and we will take matters forward as effectively as we can within that context.

Jim Mather: On effectiveness, and to look at the matter from a different angle, in what way is that compatible with the demographic challenges that we face and the need to reverse population decline? How can we create a feedback loop to allow forward planning to meet the changing economic climate if we do not have a forecast to give us some indication of what we anticipate will happen in Scotland in the future?

Tavish Scott: I said in response to Wendy Alexander’s question that we will look at the particular long-term point in relation to forecasting, but we make the best judgments that we can, in policy terms, on attracting new people to Scotland and encouraging expatriate Scots back to Scotland. Mr Mather will be familiar with the programmes that we run in relation to those matters across various portfolios—I will not run through them again this morning. If it would be helpful, we can put together a list or a briefing note on them, but they are on the public record and together they add up to a concrete platform of initiatives, programmes and policies to deal with the issues.

Jim Mather: My final question is, can you name one other country or organisation that sets and trumpets a top priority yet does not have a forecast or a target for it?

Tavish Scott: These are political games and I am not going to get into them.

Jim Mather: It is a managerial game.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): Given the fears that have been expressed by a number of members of the committee about the problems that are likely to be caused by the proposed grant support levels, has the Executive done any work to examine the impact of council tax on households that have low fixed incomes but are above the rebate threshold?

10:30

Tavish Scott: I am not aware of any. We have set up an independent inquiry to allow such work to be done in an independent and extra-Government fashion, which has considerable merit. I am sure that Sir Peter Burt’s committee will be interested in the area to which the member refers, among others.

Mr Brocklebank: Do you accept that, given the reservations that you have heard and the things that COSLA and various local authorities have said, there could be real problems?
Tavish Scott: If Mr Brocklebank is asking me to accept a hypothetical situation in relation to council tax increases, I will not go there. Council tax changes and increases are a matter for local government. We will deal with the matter once councils have set their taxation rates, which they will do in the coming weeks.

Mr Brocklebank: The Equal Opportunities Committee recommended that the Executive develop national performance targets in relation to equality. In its response, the Executive said that it would consider what more it might be able to do to draw together information on what public bodies are doing to promote equality. What else do you think might be done to promote equality?

Tavish Scott: Richard Dennis may be able to respond to Mr Brocklebank’s question in greater detail. However, as our response to the committee’s report says, we would be happy to work with this committee and the Equal Opportunities Committee on the issue. I argue that we have made considerable progress in the area.

Richard Dennis (Scottish Executive Finance and Central Services Department): The Executive tried to point out that many of the organisations in which the Equal Opportunities Committee would like targets to be set and further measures to be taken are not strictly within the Executive’s control. However, we can write to those organisations and collate information. We can ask bodies such as local authorities what steps they are taking to meet their best-value duties in the area. Once we have collated that information, we can give it to the committee. That is rather different from the Executive specifically setting a target for bodies such as local authorities to promote equality. That is the distinction that we tried to draw.

The Convener: In our report, we made the point that there was an apparent loss of momentum with the pilot studies on equality proofing. Will that issue be addressed? Will you ensure that the pilot studies on equality proofing are taken forward and that other studies are considered?

Richard Dennis: We are in discussion with the Equal Opportunities Committee about how best to pick up the momentum.

Mr Frank McAveety (Glasgow Shettleston) (Lab): There is clearly an issue of how council tax impacts on households with low, fixed incomes. If we are engaging in relative comparisons, it would be helpful for us to know when the review of council tax concludes and whether everything depends on its observations. Are there actions that could be taken at the moment to assess impacts of the sort that I have described?

It would also be useful for colleagues around the table to engage in a political debate about the issue. It would be interesting to see the scale of increases in council tax in the last two or three years of the previous Government. A number of us experienced those increases, which took place at the same time as reductions in services and staff. It would be interesting to see what changes have taken place in staff numbers in local government since 1997 and the way in which council tax figures are arrived at. We could then have an honest debate about whether the level of expenditure is right, without intruding on the rights of councils to determine the level of council tax and to take the consequences of their decisions at the ballot box, one way or the other.

What work has been done on such issues, especially in relation to fixed-income households? I refer to people who have a basic state pension and a works pension and are above the threshold for council tax benefit. A substantial section of the community falls into that category. Is the review team considering that issue specifically? Is it just an add-on or will it be analysed in detail?

Tavish Scott: The issue that Mr McAveety raises is not a detailed part of the independent inquiry’s remit, for the simple reason that we did not include such detail within the remit. As the then Minister for Finance and Public Services, Andy Kerr, explained when we announced the establishment of the independent inquiry, the terms of the remit were broad in order to provide an opportunity for such issues to be raised. We do not expect the independent inquiry to report until the summer of 2006. I take Mr McAveety’s point that that is a long time for those who are in the financial position that he describes. There is nothing to prevent individual MSPs or the Scottish Executive from taking up the issue, through the benefits system or in other ways.

I also take the point that we need to have a reflective debate about the previous situation. Those of us who were formerly in local government will be familiar with the points that Mr McAveety makes. I am sure that we will have that debate on Thursday, when we consider the Local Government Finance (Scotland) Order 2005. It will be important for us to set out some comparative statistics, so that people do not think that this is a dreadful day, compared with past settlements.

Mr Arlottle: I am sorry that the electronics have not yet caught up with the physical reality that I am here.

I was surprised to see in paragraph 11 of the Executive’s response a criticism of local authorities, which suggests that they should improve their council tax collection rates. Council tax is notoriously difficult to collect. People inconveniently move house; other people inconveniently die. As a councillor, I know that considerable efforts go into collecting council tax.
Why did the Executive take that pop at local authorities?

**Tavish Scott:** I accept that there are difficulties with council tax collection. However, it cannot be in the interests of any of us, whether we are in local government or in central Government, to have collection rates that are not maximised. It is important that Government sets out the objectives that all politicians should share of maximising collection. That applies to council tax as well as to national taxation. Local government leaders recognise that it is in local government’s interests to maximise collection rates. We have not had a pop at local government, but we always seek to point out that it is in the interests of both central Government and local government to ensure that council tax collection is maximised.

**Ms Alexander:** It will not surprise the deputy minister that I want to return to the issue of efficiency, which is dealt with in paragraphs 15 and 16 of the Executive’s response. Paragraph 15 is somewhat encouraging, but paragraph 16 is somewhat discouraging.

Paragraph 15 commits the Executive to have discussions with the Finance Committee about how best to report progress. That is an encouraging response. Given that some of the efficiency savings are meant to commence in eight weeks’ time, it would be helpful if the Executive could have an early discussion with the committee’s budget adviser and then write to us.

Paragraph 16 is less encouraging. We asked “that, in order to provide transparency in the Draft Budget 2005-06, the Executive should provide a complete list of the savings items per portfolio”, so that we could have a full picture over the spending review period. The Executive’s response refers to the technical efficiency notes.

I want to put on the table an issue for discussion between the Executive and the committee. At the moment, the Executive is committed to £582 million of cash-releasing savings over three years. It has indicated an intention to find another £300 million of non-cash-releasing savings and a potential further £600 million over the same three-year period. That produces a total of £900 million of potential savings, on which we have not a single line of detail.

I accept that it takes time for that detail to be worked out and that some of it will become apparent in the technical efficiency notes. However, given that £900 million is double the cost of the Parliament building, it would be a great shame if one had to scuttle through 20 different technical efficiency notes—one for each portfolio—to discover the composition of the guaranteed £300 million and potential further £600 million in savings.

The Executive has indicated an aspiration for a further £900 million to be found over three years starting eight weeks from now, and, given what I will call the confusion, rather than lack of transparency, surrounding the issue in the past, it is appropriate for the Executive to agree a process of reporting to the committee and the Parliament on the composition of that saving.

**Tavish Scott:** I do not dissent from the desire to agree a process. I was at an efficient government seminar in Inverness yesterday and one of the chief constables present was at pains to tell me that he wanted us to ensure that we built up the savings from the smallest detail upwards. I was at pains to make the point that this and other parliamentary committees, never mind Audit Scotland, would closely scrutinise all the figures. That requirement is understood in the public sector. I do not want to incur Wendy Alexander’s wrath, but there will be an awful lot of detail in the technical notes. The chief constable was able to demonstrate to me what cash and non-cash savings he would be able to make. That is exactly what we want and I suspect that that is what the committee wants, albeit that it will come in a heck of a lot of detail.

**Ms Alexander:** I have had the opportunity to look at some of the technical efficiency notes from departments elsewhere. Those notes run to 150 pages and, given that the departments have different approaches, it is vital that the Finance and Central Services Department should clarify precisely where the £582 million saving to which we have committed and the £300 million and possible further £600 million savings will come from. I will leave that point on the table.

You might be aware that I had a helpful written answer from the Minister for Finance and Public Service Reform, in which he indicated that Audit Scotland would review the technical efficiency notes in advance of their publication. However, we have a slightly different formulation in the Executive’s response. In all scrutiny, there are two dimensions. Will Audit Scotland sign off the process in advance and be involved as appropriate in scrutinising it? That is precisely the question that we asked the Minister for Finance and Public Service Reform and on which he wrote to us. As the technical efficiency notes will be complicated, validation by Audit Scotland at the outset would give many who are involved in the process a high level of comfort. It will be an enormous job for Audit Scotland, but that is the statutory responsibility that we give it.

**Tavish Scott:** I will let Iain Dewar respond to that, but I am sure that the Minister for Finance and Public Service Reform and I have not said two different things in two different places.
Iain Dewar (Scottish Executive Finance and Central Services Department): The efficient government plan identifies £745 million of cash-releasing savings and contains aspirations for £900 million of cash-releasing savings, which we believe that we can deliver. The plan goes on to say that we will not commit to making £900 million of cash-releasing savings until we are certain that that can be done. We are keen to ensure that the technical notes are robust. Therefore, we need time to get them right and to involve Audit Scotland, which will assist in ensuring that the technical notes are up to the task. It is better for us to take our time and to get things right.

The Convener: I presume that the question-and-answer session in Inverness that you were at yesterday was different from the one that the First Minister was at.

Iain Dewar: I beg your pardon?

Tavish Scott: That question is not for you, Iain.

Dr Murray: On the efficiency savings, the committee expressed some concern about the way in which local government was treated. You responded by saying that a blanket efficiency saving of 2 per cent was presumed because local government is autonomous and makes its own decisions about efficiency savings. Therefore, I was a little bit surprised that, at the end of your response to recommendation 14, you say:

“we have identified other opportunities for savings where local government can retain the money realised.”

The implication in that phrase is that the Executive is somehow determining some of the savings for local government. I do not expect any announcement before March, when the technical notes will be published, but will you confirm whether the notes will include some aspect of local government savings and whether you will advise local government on how to achieve some of those savings?

10:45

Tavish Scott: Many local authorities are already heavily involved in e-procurement and will be able to demonstrate significant savings because of it. We take the view that, if any such saving exceeds 2 per cent, local government should be able to plough that money back into front-line services. In addition, local government is now considering 22 separate areas, such as procurement and asset management—many more were mentioned yesterday when I was speaking at the efficient government seminar in Inverness. I suspect that there will be many ideas for measures that individual authorities can take and for collective, Scotland-wide or regional measures—which will be of interest to Elaine Murray, given her constituency—that will not only lead to savings and demonstrable improvements in back-office functions, but be ploughed back into front-line services. That is how we envisage the process, but we will not prescribe it. We will definitely play a role in supporting such local government initiatives—for example, through the improvement service, which Colin Mair heads up. I ask Iain Dewar to respond to the point about the technical notes.

Iain Dewar: There will be a technical note for each efficient government project, which will describe how each project will be measured and monitored and how the efficiency savings will be delivered. The local government saving of £325 million is made up of an efficiency assumption that has been factored into the spending plans for the next three years. However, the last sentence of the paragraph to which Elaine Murray referred illustrates the point that we have identified areas in which local authorities can make efficiency savings, retain the money and direct it as they see fit to front-line activities.

Dr Murray: How will local authorities be informed of those opportunities? Will the Minister for Finance and Public Service Reform write to their chief executives to advise them of the opportunities?

Tavish Scott: No, the approach is collaborative. We will certainly not tell local government that it must make its savings in those areas, as that would be entirely the wrong approach. We seek to ensure that the separate areas of efficiency can be built up individually and collectively, regionally and throughout Scotland, and we will support local government in building them up.

The Convener: I am anxious to wrap this agenda item up, but Jim Mather has a brief final question.

Jim Mather: It is a tidying-up question. When I asked the Minister for Finance and Public Service Reform whether the efficiency savings were net of redundancy, information technology and other capital equipment costs, I was not sure that I got a clear answer. Will you confirm that the efficiency savings are net of IT costs, possible redundancy costs and other capital equipment costs?

Tavish Scott: No, I do not think that they are net of such figures.

Jim Mather: Are they savings, then? If there is a cost to be set against them, can they properly be called savings?

Tavish Scott: Mr Mather, with his business background, will understand that we have to invest to pull some of the projects together and progress them so that they can achieve savings, which is why we have set up an efficient government fund. That is a good business practice about which business people tell me all the time.
Jim Mather: Absolutely. However, a business has to confront a bank and has to prove that the project is cash positive; we have to approach taxpayers and tell them that the project is cash positive. What is the net impact?

Tavish Scott: We will not know that until the efficient government fund—which I am sure the committee will properly scrutinise—is allocated to the authorities that have applied to it and until those authorities’ plans over the period of the efficient government programme can be demonstrated in the terms that Mr Mather describes.

Jim Mather: Will we, at some point, see a statement that sets out the savings, the cost and the net savings?

Tavish Scott: Absolutely.

Jim Mather: Will the net savings be a lesser number?

Tavish Scott: Mr Mather is familiar with the overall numbers, which are what we will seek to deliver.
numbers in the bill. The provision is set out in that way in table 1.3, on page 4 of the supporting document. I draw members’ attention to the negative figure for the Environment and Rural Affairs Department portfolio, which represents a draw-down in the next financial year of resources that have been put into the CUP and which will be carried forward from this financial year.

Thirdly, I would like to explain a convention that is used in the bill that caused some confusion during the stage 1 debate. As members know, for budget purposes, the smallest unit of resource that we use is £1,000. We do not recognise any numbers below £1,000—in accounting terms, I hasten to add—and all figures must be in complete thousands. However, the bill often includes receipts limits of £100. That is an accepted convention to signal that the exact amount of receipts cannot be forecast accurately and that we could not provide a taut and realistic—or robust, as Mr Morgan might put it—figure for the bill. We use the £100 figure to signal clearly that there will be receipts, but that we are as yet uncertain as to their extent. When accurate forecasts become available, we will insert them during the year through the regular budget revisions, to which we all look forward so much.

Similarly, there has been confusion over the income-to-be-surrendered lines that are set out in the supporting document at the bottom of each part of schedule 3. The committee will know that we are allowed to retain almost all receipts up to the limits that are set in the bill, except those that are specified in the designated receipts order, or unless there are good policy reasons why we would not want to use receipts as a main source of funding. Those who are interested can find a good example of that on page 79 of the supporting document. The Crown Office will retain £700,000 in receipts from the categories that are set out in schedules 1 and 2 to the bill, but it will also surrender £12 million of income from fines. I hope that colleagues accept that that is because we do not want to give the impression that it is in any way in the Crown Office’s interest to impose more fines. If no figure is set against the income-to-be-surrendered line in the supporting document, that means that there is no income to be surrendered, not that the retained income and capital receipts applied that are set out in the supporting document will be surrendered.

Finally, I am sure that members will have spotted a small mistake in the bill. Table 1.5 on page 7 of the supporting document gives the overall cash authorisation for the Scottish Administration as £23,221,697,000, but the overall cash authorisation that is sought under section 3(a) of the bill is different—it is £53 million more than is required. That is because of a fault in the software that is used to extract non-cash figures from our main budget database, which we discovered before the supporting document was finalised, but after the bill was finished. When the bill was laid, the figure in the supporting document was more accurate.

There are three main reasons why we do not propose to correct the mistake. First, as we cannot use extra cash authorisation without also seeking additional resource allocations, the unneeded cash cannot be used. Secondly, we know that we will introduce at least two revisions to the bill during the year. With the draw-down of extra resources from end-year flexibility and the CUP, we can be 100 per cent certain that, by next year’s spring revision, we will need a higher cash authorisation than is currently in the bill. Therefore, there seems to be little point in amending the bill now. Finally, since the production of the supporting document, we have explored the software error further to ensure that it has had no impact on other figures. We found one other error, which led to our understating our cash requirement in the current and the coming financial years. I will explain that further when we take correcting action for the current year in the spring budget revision. However, the error means that the overall cash authorisation that is sought in the bill is closer to the correct figure than the figure in the supporting document is.

I apologise for going into detail, but I hope that I have covered the three or four main points that arise from this year’s bill.

The Convener: The same problem applies to other figures that are given in section 3. The figures for the Scottish Parliamentary Corporate Body, Audit Scotland and, I suspect, the Forestry Commission seem to be at variance. The figures are the same as those in the revised cash authorisation, but I am looking at the figures in schedule 3 to the bill.

Richard Dennis: I will try to explain that. The final column in table 1.5 in the supporting document gives the revised overall cash authorisations for various bodies—the last five figures in that column are the ones that are taken across into the bill. From a quick look, apart from the figure for the Scottish Administration, the other figures seem to be exactly the same in the bill. The details in the schedule in the supporting document do not give cash numbers; they give only resource numbers. We take out the non-cash items for the figures at the front.

The Convener: So there is a variation in the bill between section 3 and schedule 3.

Richard Dennis: Yes. Schedule 3 to the bill relates to resource control. The Parliament sets a control on the total amount of resources that the bodies can use, as well as on the cash that they
can use—one would expect those figures to be different.

Jim Mather: Is the software being checked out? Is it a standard product or is it something that you guys have written? What steps will you take to ensure that the software has no other fundamental errors?

Tavish Scott: I will leave Mr Dennis to answer that.

Richard Dennis: I see that the experts are listening. The product that we use is Oracle Financial Analyzer, which is well known and is used for many similar purposes.

Jim Mather: It might even be robust.

Richard Dennis: It might. A subprogramme is supposed to wander through our various accounts looking for all non-cash identifiers. It sources data at a number of levels, which, curiously enough, we call parents, children and descendants. In this case, the subprogramme found a parent, but did not find the child, or the other way round.

Jim Mather: Given that you use an Oracle system, which can produce read-only files, are there any plans to make the data available to parliamentarians and to the professionals you mentioned to allow us to browse them on a computer, rather than try to do the cross-referencing, which even you guys do not manage to do all the time?

Richard Dennis: There are no plans to do that, because I suspect that there would be no interest in it, given that we publish the data six times a year.

Jim Mather: We might surprise you.

Richard Dennis: I am happy to think about the matter.

Jim Mather: If the committee requested that information formally under the Freedom of Information (Scotland) Act 2002, would you be duty bound to provide it?

Tavish Scott: I am not sure that we would be duty bound to provide it in anything other than the published form, but I am happy to consider the published form. I will not give a commitment today, but we will consider that matter.

The Convener: In the absence of any further questions, we now turn to the formal proceedings for stage 2 of the bill. Although no amendments have been lodged, we are obliged under standing orders to agree to each section and schedule of the bill and to the long title. We will consider the sections in order, but we will consider the schedules immediately after the section that introduces them and we will consider the long title last. Fortunately, standing orders allow us to put a single question on groups of sections or schedules that fall consecutively and I propose to do that, unless members disagree.

Section 1 agreed to.
Schedules 1 and 2 agreed to.
Section 2 agreed to.
Schedules 3 and 4 agreed to.
Sections 3 to 5 agreed to.
Schedule 5 agreed to.
Sections 6 to 10 agreed to.
Long title agreed to.

The Convener: That was painless and it ends our stage 2 consideration of the Budget (Scotland) (No 2) Bill. I thank the minister and his officials for attending.
Delegated powers scrutiny: The Committee considered the delegated powers provisions in the following Bill—

Budget (Scotland) (No.2) Bill as introduced

and agreed the terms of its report.
Budget (Scotland) (No 2) Bill: Stage 1

The Convener: Item 5 is on the Budget (Scotland) (No 2) Bill. The provision under section 7 of the bill seems to be very similar to past provisions, in that any order made under the section will be subject to the affirmative procedure. Are we content with the power as drafted?

Members indicated agreement.
Subordinate Legislation Committee

5th Report, 2005 (Session 2)

Budget (Scotland) (No.2) Bill
Subordinate Legislation Committee

Remit and membership

Remit:

1. The remit of the Subordinate Legislation Committee is to consider and report on-

   (a) any-

   (i) subordinate legislation laid before the Parliament;

   (ii) Scottish Statutory Instrument not laid before the Parliament but classified as general according to its subject matter,

   and, in particular, to determine whether the attention of the Parliament should be drawn to any of the matters mentioned in Rule 10.3.1;

   (b) proposed powers to make subordinate legislation in particular Bills or other proposed legislation;

   (c) general questions relating to powers to make subordinate legislation; and

   (d) whether any proposed delegated powers in particular Bills or other legislation should be expressed as a power to make subordinate legislation.

   *(Standing Orders of the Scottish Parliament, Rule 6.11)*

Membership:

Dr Sylvia Jackson (Convener)
Mr Adam Ingram
Gordon Jackson (Deputy Convener)
Mr Stewart Maxwell
Christine May
Mike Pringle
Murray Tosh
Committee Clerking Team:

Clerk to the Committee
Ruth Cooper

Assistant Clerk
Bruce Adamson

Support Manager
Catherine Fergusson
The Committee reports to the Parliament as follows—

1. The Subordinate Legislation Committee considered the delegated powers provision in the Budget (Scotland) Bill at its meeting on 8th February 2005. The Committee reports to the Parliament on the provision under Rule 9.16.3 of Standing Orders.
General
1. The Bill makes provision for the Scottish Administration’s budget for the financial year 2005/06. The Committee notes that, like its predecessors in previous years, the Bill contains one delegated power that permits certain parts of the Bill to be amended by Order.

Delegated power

Section 7
2. Section 7 confers power on the Scottish Ministers to make adjustments to the figures in the Bill and to items in some of the schedules, by Order made by statutory instrument, to take account of changing circumstances throughout the financial year. Any such Order will be subject to affirmative resolution procedure.

3. This provision follows the normal form for Budget Bills. The Committee approves the power without further comment.
Budget (Scotland) (No.2) Bill – Stage 3: The Minister for Finance and Public Service Reform (Mr Tom McCabe) moved S2M-2359—That the Parliament agrees that the Budget (Scotland) (No.2) Bill be passed.

After debate, the motion was agreed to ((DT) by division: For 87, Against 14, Abstentions 14).
Budget (Scotland) (No 2) Bill: Stage 3

The Deputy Presiding Officer (Trish Godman): The next item of business is stage 3 of the Budget (Scotland) (No 2) Bill. As no amendments have been lodged, we move straight to the debate on the motion that the bill be passed. I invite members who want to speak in the debate to press their request-to-speak buttons now. I call Tom McCabe to speak to and move motion S2M-2359, that the Budget (Scotland) (No 2) Bill be passed.

15:40

The Minister for Finance and Public Service Reform (Mr Tom McCabe): Today sees the conclusion of the final stage of our consideration of the 2005-06 budget bill. There has been a year-long process during which our spending plans for 2005-06 have been thoroughly scrutinised by Parliament and the people of Scotland. When the Budget (Scotland) (No 2) Bill has been passed into law, it will be complex and technical legislation. As members know, the bill sets out the framework by which Parliament and the Finance Committee control the Executive’s expenditure, and against which we prepare our accounts. It sets out how the Executive can spend and what it can control the Executive’s expenditure, and against which Parliament and the Finance Committee members know, the bill sets out the framework by which we might continue to differ on definitions, in terms of accruals that relate to income. Leaving aside the fact that we might continue to differ on definitions, is he now in a position to tell us whether there are any measures in place that will ensure that the Executive maximises the opportunities for income, particularly on disposals, so that the public purse gets the maximum benefit?

Mr McCabe: I assure Mr Stevenson that that is always the approach that we take; it always has been and always will be.

The second control is a resource control. That covers the net total of resource consumption that can be incurred in a financial year. Again, separate limits are set out for each department in the Executive and for each of the direct-funded bodies. There are 15 separate limits.

As members know, there is a difference between resource control and cash control. The term “resource” includes non-cash items such as capital charges and provisions that are not covered by the cash control. Those non-cash items were introduced as part of resource accounting and budgeting to ensure that the full cost of services is reflected in accounts and budgets. It is important to note that resource is not the same as cash, and that resource includes additional items that are not cash. Our cash funding is therefore rather lower than it might appear at first from the total of our resources.

Thirdly, there are controls over our receipts. Again, those controls are set for each department of the Executive and for the direct-funded bodies.

Those three types of control set a total of 50 separate limits that form the framework for parliamentary control over the Executive’s expenditure. Each limit has a purpose that sets out what the resource can be used for, so the budget bill is at the heart of everything that we do; it sets our budgets and defines how we use our money.

Our spending plans have undergone considerable scrutiny by all sectors of society and we have sought to make the process as open and transparent as possible. The process has been one of inclusive consultation and it forms the basis of our system of government. As I said in our earlier debates, we are not complacent. We will continue to work with Parliament and the Finance Committee to improve the budget process, to streamline our documentation and to increase accessibility to the process.

I am sure that members will breathe a reasonable sigh of relief that today’s debate marks the end of the current budget process after a busy few months. We will have a short break from such matters to allow members to recharge their batteries, but we will welcome members back from the summer recess with the draft budget to kick off the 2006-07 budget process. Looking further ahead, I am sure that it will come as no surprise that the Executive’s thoughts are already turning to the next spending review in 2006. We will, of course, keep Parliament informed of progress, which might be quicker than some people think.

For this afternoon, however, we remain with the 2005-06 budget. The budget drives forward our partnership agreement commitments by developing our transport networks, our schools and our universities, by putting in place the infrastructure that we need to grow our economy and by providing the front-line staff who will deliver excellent public services. The budget will strengthen our communities, enhance quality of
life for all and make a difference where it matters most. The budget bill will enable all of Scotland’s people to enjoy the opportunities that our prosperity brings.

I move,

That the Parliament agrees that the Budget (Scotland) (No.2) Bill be passed.

15:46

Alasdair Morgan (South of Scotland) (SNP): I thank the minister for raising, albeit very prematurely, the prospect of summer holidays. Whether that is yet another election tactic and whether it is a successful one remain to be seen.

Our budget process does not excite the people of Scotland as much as it should. When ministers have talked in previous debates about the many people who attended their budget meetings, I suspect that they have over-egged the pudding somewhat. Certainly, audiences for Finance Committee meetings on the budget process did not need a large room to accommodate them. Although more members are now present in the chamber than is normal for a budget debate, I suspect that today’s attendance owes more to the coming statement on Scottish Water’s objectives than it does to the budget bill.

I want to spend some time reflecting on why the budget that should be so important—arguably, the budget is the most important event in any Parliament—does not excite interest either out there or in here. The first and most uncontroversial reason that I could think of is that much of the meat of the Executive’s budget is contained in the departmental detail—for example, the health budget or the education budget—which it is not within the purview of finance ministers or spokespeople to provide. However, I understand why discussion of those details should take place in other debates and in other committees.

A second reason for the lack of interest is that huge areas of expenditure of public money in Scotland are not contained in today’s budget because they are on so-called reserved matters. Those matters are of great importance to the people of Scotland. For example, there is a major controversy over public sector pensions, but this Parliament would need an order to be passed before it could change the conditions of public service pensions in Scotland. The main debate is being held south of the border. It is arguable that the same applies to defence and social security.

The third reason why we pay less attention than we ought to the budget is the lack of debate about the revenue with which we fund expenditure. For taxpayers, the short-term revenue implications are arguably much more important and much more likely to excite discussion than the resultant expenditure. However, Parliament never gets a chance to discuss issues that we should debate, such as the balance between indirect and direct taxation, which has swung so much to the former over the years; the level of corporation tax, which does nothing to stimulate our economy and is one reason why the Scottish economy continues to lag behind that of the rest of the United Kingdom; whether we could set up an oil fund with revenues from taxation on Scottish oil; and whether, had we set up such a fund many years ago, Scotland would be in a better position than it is today.

The Executive will argue that we have Scottish representatives down at Westminster to make those decisions for us, but I am not convinced by that. After 5 May—I presume that that will be the date—decisions on those matters will be made by 646 members at Westminster, of whom only 59 will represent Scotland. I doubt that those 59 will influence what happens down there to any great extent.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): I am grateful to the member for giving way in what is a genuinely interesting speech but—as he has mentioned decisions—perhaps he can clarify whether the Scottish National Party has come to any decisions. Does the SNP agree with Mr Mather that Scotland should have lower taxes or does it agree with Ms Grahame, who has said that the SNP should have higher taxes as part of its policy on revenue?

Alasdair Morgan: I argue that it is possible to have both. It is possible to have lower tax rates and a bigger tax take. Perhaps one of the reasons why this country’s economy stays in the doldrums is that Executive parties do not grasp that we can encourage business by cutting the rate of tax and at the same time increase the tax take because the economy prospers. Had this country learned that lesson some time ago, we would not be in the dire state that we are today.

My second point about our representatives down at Westminster is that if a proportional system of government is good enough for Scotland to make decisions on how to spend the money, why do we not have a proportional system of government at Westminster to make decisions on how we raise the money in the first place?

I am genuinely pleased to take part in the budget process, although I wish that it was a complete process rather than an unsustainable process of spending other people’s handouts, especially when—more to the point—it is our money they are handing out to us. It will be true in the years to come that this process is not sustainable and that it will not last.
Mr Brian Monteith (Mid Scotland and Fife) (Con): As members will recall, I have in the past compared the Minister for Finance and Public Service Reform to a mafia don or a sinister local government hard man. I say that as a compliment, of course, and not in any negative fashion. We look to the minister to introduce prudence and efficiency to the finances of the Scottish Executive.

Today we have received from the minister, in the form of his budget, an offer that we cannot refuse. We cannot amend the budget in this process and members of the public might be forgiven for thinking that there is no alternative to the Scottish Government’s budget proposals. After all, no amendments have been lodged to the bill and, indeed, the budget process is characterised by there having been only one amendment lodged in the previous four years. Whether or not it was meant to be this way, the procedures conspire to discourage alternatives from reaching the Parliament formally.

Alasdair Morgan: I refer members to something that the minister said in the stage 1 debate. Even the amendment to which Brian Monteith referred was not an amendment to the budget bill; it was simply an amendment to a motion on the Finance Committee report.

Mr Monteith: I accept Mr Morgan’s point; what he describes is all part of the procedural process. As it is difficult to have formal alternatives to debate—

Ms Wendy Alexander (Paisley North) (Lab): Will the member give way?

Mr Monteith: No, I must make progress, but I hope to be able to give way to Ms Alexander’s charms later.

I want to propose an informal Conservative alternative to the budget proposals. I am sure that it is not by any means the only alternative, but the Conservative alternative would include a cut in business rates, costing some £140 million, to a level that is at least that of those that pertain in England. A Conservative alternative budget would increase spending on roads by a further £100 million, which can be costed and priced from within existing resources. A Conservative alternative would provide for 1,500 more police officers to ensure that the soaring crime rates were attended to. The Conservative alternative would allow councils to cut council tax—an issue that is at the heart of this week’s financial debates—by removing the financial burden of £614 million of funding that schools require from council tax. Instead, schools would be funded by direct grant from central coffers. There are other areas in which we would make changes; I have mentioned only four.

Bristow Muldoon (Livingston) (Lab): In setting out the Conservative alternative budget, the member has highlighted what he sees as the good-news part of it. Will he please spell out the bad-news part about the areas in which the Conservatives would make cuts in public services?

The Deputy Presiding Officer: You are in your last minute, Mr Monteith.

Mr Monteith: I realise that, Presiding Officer, which means that I cannot give way to Wendy Alexander. However, I am sure that she will be interested in the point that Bristow Muldoon has raised.

Mr Muldoon asks how we would do all this. Well, we would use the very same efficiency gains that are to be made by his ministers—whom he supports like a puppy—but in a different way. The Executive has not yet committed those gains, but we would commit them to school expenditure and council tax cuts. We would use changes in the structure of Scottish Enterprise to fund a cut in business rates and we would use efficiency gains to improve our roads.

The question is a no-brainer—there is an alternative that would give us better outputs and outcomes and lower taxes. It is just a pity that we cannot propose it formally.
supply immediate answers to, for example, the drop in planned capital expenditure. However, anyone who is involved in large capital projects will know that the lead-in time for carrying out consultations, land purchase and invoicing does not fit easily into a 12-month period. I was pleased to hear at yesterday’s Finance Committee meeting that there was still a massive capital commitment to the water service. A bald look at the document suggests that spend will be reduced; however, it is all to do with the phasing of projects.

It is important not only to examine spending priorities but to look at the overall Scottish economy, which is the beating heart of, or driving force behind, all this. Without a successful and profitable economy, all our ambitions could well be dashed. If there is no money to fuel the agenda of the Scottish people, any future programme will founder. As a result, we must point out that the Scottish economy is growing faster now than it has at any other time in the past four years.

Jim Mather (Highlands and Islands) (SNP): I understand what the member says. However, Scotland is growing at 1.8 per cent while the rest of the UK is growing at 3.2 per cent. Surely such a gap gives reasonable cause for concern.

Mr Arbuckle: I thank Mr Mather for his intervention. However, if he has read what Professor Donald MacRae has had to say, he will know that the growth rate in the last quarter of 2004 was 2.5 per cent. I acknowledge that that rate is still behind that of other countries, but we are trying to change our economy from one that is based largely on manufacturing to one that is based on high technology and service industries. The member also forgets the investment that we are making in the future.

The SNP’s economic plans centre largely on a three-letter word—oil—and a proposal that is based on the Norwegian oil fund model. However, it is interesting to note that, this morning, it was reported that the Norwegian Government is using some of that fund to subsidise its salmon farmers, who are dumping salmon into Scotland. Such an approach is undermining the Scottish salmon industry and destroying the Scottish economy.

The budget is not perfect, but only those who live in an unreal world or who write their own school reports believe in total perfection. I would have liked a better economic growth rate, more start-up businesses and more support for this country’s manufacturing base. However, we are where we are.

I am a new boy in Parliament, but the next time I am down in the cafe I shall watch SNP members not only having their cake, but eating it.

16:00

Mark Ballard (Lothians) (Green): Another day, another budget debate. I would like to start my contribution to this debate by quoting remarks that were made by the minister, Tom McCabe, in his closing speech in the previous debate on the Budget (Scotland) (No 2) Bill. He said:

“I have some difficulty with Mr Ballard’s comments about the nature of the Executive’s budget, because I absolutely agree with him. He said that the budget is predicated on the Executive’s obsession with growing Scotland’s economy—and he is absolutely right. That is why I can stand here and cite the statistics that I have already mentioned.”—[Official Report, 27 January 2005; c 14063.]

I will leave it to other parties to argue whether that obsession is bearing any fruit in raising the Scottish rate of economic growth.

Jim Mather: Does Mark Ballard think that the current rate of economic growth in Scotland—which is a little more than half the rate for the rest of the UK—justifies the minister’s claims or his complacency?

Mark Ballard: Mr Mather makes a fair point. If the Executive’s obsession is with economic growth, it does not appear to be delivering on that obsession.

I move on to the substance of my speech, which is about the fact that this is environment week. In environment week, we will hear considerable concern being expressed about our impact on the environment. There will be a great deal of discussion about what we can do to improve our environment. We should congratulate Scottish Environment LINK on organising environment week here in the Parliament and we should reflect on its work and its commentary on the Parliament.

I highlight a point that is made in Scottish Environment LINK’s report “Second Term, One Year On: Government Progress on the Environment in Scotland”. I recommend the report particularly to finance and enterprise spokespersons in Parliament. In commenting on the report, Fred Edwards, the president of Scottish Environment LINK, stated:

“Sustainability is the vital cross cutting issue. Yet this is the area where the gap between expressed intention and reality is particularly wide. The Executive has pursued unrestrained economic growth as a single, overriding goal, unqualified by considerations of sustainability. Research on life satisfaction has demonstrated that levels of satisfaction do not correlate to economic growth.”

We must recognise that economic growth is not a panacea and that it will not, on its own, bring the environmental and social welfare, the social justice and the environmental sustainability that we all want.

The Scottish Green Party will not support the Budget (Scotland) (No 2) Bill. I ask all members to
reflect on the fact that this is environment week. We will hear a great deal from environment spokespeople, but we need to hear something from finance and enterprise spokespeople on the challenge to all of us to take environmental sustainability seriously. Until we move away from economic growth and have a budget that puts the needs of people and of our planet first, we will fail to meet the challenge of environmental sustainability.

16:04

Ms Wendy Alexander (Paisley North) (Lab): As members know, fairytales sometimes convey important truths. A fairytale has taken hold of the Scottish budget process, and that fairytale is “Peter Pan”. As we have already heard this afternoon, in the Scottish budget fairytale Peter Pan McConnell is the beneficiary of good fairy Tinkerbell Brown’s block grant. Members will recall that Mr Darling had only a bit part in the Peter Pan story. However, such a view of Scotland’s budget process is straight out of Never-Never Land itself. The Never-Never Land aspect of the Scottish budget process comes from the lost boys on the Opposition benches because, from the September day when the budget is announced, the lost boys of the Opposition fly off to Never-Never Land, never to return until spring, when the bill has been safely passed. From the start to the finish of that process, the nationalist lost boys—Neil, Morgan and Mather—all fly off to Never-Never Land. Whatever the budget proposes, they are in a Never-Never Land talking about the need for more people, more oil, more powers—indeed, anything other than the Executive’s spending plans.

Jim Mather: Will the member give way?

Ms Alexander: Indeed I will. I give way to lost boy Mather.

Jim Mather: I ask Wendy Alexander for clarification. Is she advocating a lower population in Scotland?

Ms Alexander: No. The point that I am making is that it would be unthinkable in England in a debate on the budget to start talking about population and immigration. Whether it is lost boy Jim “growth target” Mather, Alex “population” Neil—in fairness, he is not here, but he is usually talking about it—or Alex “oil” Salmond, it is all about escaping to Never-Never Land rather than scrutinising the spending plans.

If I sound a somewhat world-weary Wendy, I am. I looked to the Tories. Perhaps they could be relied on not to fly off to Never-Never Land. In fairness to Michael Howard, who is every inch a latter-day Captain Hook, he is pretty clear about the services that will have to walk the plank. He is clear that health and education might escape the plank, but he is also clear that his trusty crocodile, the James report, has the clock ticking on savings of £35 billion. In Scotland, however, we have heard not a word about the clock ticking on the Scottish equivalent of the James programme. Lost boy Monteith is off to Never-Never Land.

It all seems rather amusing, but in less than an hour we shall pass a budget that enshrines how to spend £25 billion. That is more than the total wealth of 100 other nations. Let us think about that. We are about to pass a budget that is more than not just the spending but the wealth of 100 other nations on the face of this earth, yet the Opposition’s lost boys have simply nothing to say. Of course, as all children in Scotland and their parents know, the lost boys just did not want to grow up, and the flight of the Parliament’s Opposition to Never-Never Land discredits a young Parliament and infantilises the debate. There is no serious engagement as there should be.

Peter Pan’s Wendy was an optimist, and all fairytales have happy endings. At the end of “Peter Pan”, the lost boys eventually grew up. I hope that, the next time we debate a budget bill that plans to spend more than 100 nations on this earth earn, we can look to the lost boys of the Opposition not to fly off to Never-Never Land but to start providing some proper parliamentary scrutiny. This Wendy commends the Executive for a set of sound spending plans for Scotland’s budget.

16:09

Des McNulty (Clydebank and Milngavie) (Lab): If Wendy Alexander had had six minutes, she would presumably have got round to Captain Hook. I shall respond first of all to Alasdair Morgan’s comments at the start of the debate about why these budget debates do not excite the interest that they might. I think that there is a straightforward reason for that, and it is not necessarily to do with problems in our budget process. It is to do with the amount of budgetary growth that we have seen year on year, particularly since devolution in 1999. The Parliament has been able to expand provision, to finance new services and to make progress with policy initiatives in ways that have been unprecedented during my time in government at all levels.

In the 1980s and 1990s, budgetary debates were all tinged with sharp constraints and the hard choices that had to be made. I do not want to go back to those days of hard choices, but we should acknowledge that, over the past five years, we have been in a privileged position. We have been able to spread a degree of largesse. We have provided new policies, new initiatives and new services that people have wanted.
However, we may well have to re-examine and re-evaluate some of those decisions in the context of different budgetary circumstances. We do not yet know the long-term cost of providing free personal care; we do not yet know the implications of our decisions on, for example, concessionary travel; and we do not yet know whether we have taken the right approach to higher education and whether the way in which we have funded student support is better than funding research more directly and creating research centres. I would argue that we have made decisions without quite the degree of budgetary focus that was needed. We have taken those decisions often because they seemed like good ideas on which we could achieve consensus. I am not arguing against any of those decisions, which may well have been the right ones. However, in future we will often have to make choices between different kinds of good things. We will have to be prepared to take tough decisions to be sure that we act in the interests of Scotland.

I disagree with Alasdair Morgan and Jim Mather when they say that it is all about powers. In the modern international economy, countries are fundamentally interdependent. The constraints on the tax decisions that we can take are actually set not by the powers of Government but by the economic balance that exists between different countries.

Powers by themselves will not make a difference. What is crucial is the way in which we spend the resources that we have. We must do so sensibly. That is why budgetary decisions are very important. They are not for the end of an afternoon—as they have been all too often in the past—with people thinking that there are no fundamental differences of substance, only differences of packaging, to paraphrase Brian Monteith.

We will have to make hard decisions in future. Perhaps at the beginning of Lent in future years, we will have to take oaths of self-denial. There will be things that we want to do that we will not be able to do because the resources will not be there.

The SNP consistently makes the point that growth levels are significantly higher in England—in the south-east in particular—than they are in Scotland. Of course that is true. London and the south-east of England are the fastest-growing and most economically dynamic area of Europe. To my mind, it is far better for us to be attached to, and involved with, that level of growth than to be separated from it. If we consider the pattern of growth in Scotland systematically—not selectively, as people all too often do—we can see that we have benefited from the union. I certainly hope that we will continue to do so.

Organisations such as Scottish Water have had to make hard choices. The choices to be made in order to preserve our competitiveness are difficult. We will have to face up to difficult choices in health, education and other areas. It is time that we started to take that process very seriously indeed.

16:14

Mr Monteith: I am happy to wind up for the Conservatives in this budget debate. From listening to previous speakers, it is clear to me that a difference of opinion is developing. The consensus between the nationalists and the Conservative unionists challenges what is being offered by the Scottish Government in two particular areas. The first of those areas relates to the idea that is propagated by ministers, former ministers and back benchers that more inputs mean more outputs. The theory is that the more money we pile into public services, the more positive results we will get back out. The reports by Audit Scotland and by the Accounts Commission show that that is patently not true. What do we find when we compare today's statistics with those from the dark, evil years before year zero, when the Conservatives were in power? I tear out what hair I have got left. We find that with fewer and smaller inputs, we got larger and better outputs.

Ms Alexander: The Deputy Minister for Finance and Public Service Reform (Tavish Scott) rose—

Mr Monteith: I am enjoying myself now. As my speech is not scripted, I will carry on for the moment, although I will give way to the minister soon.

The second area relates to the idea that higher taxes mean higher revenues. The experience in many other nations reveals that cutting marginal rates of tax leads to higher tax revenues.

Ms Alexander: As the member knows, I yield to no one in my interest in efficiency issues in the budget. Perhaps Mr Monteith can explain to us why the Conservatives have never—not once in six years—moved an amendment to the budget at a meeting of the Finance Committee to reflect the position that he is advocating or, indeed, any other position.

Mr Monteith: I have made clear my position on that on many occasions, but I am happy to do so again. I believe that if one is to amend the budget, one should offer an alternative budget—an entirely new budget. I do not believe that one should change one part here or one part there. Any party that wished to produce an alternative budget would have to co-ordinate the work of reviewing
spending proposals and recommendations for change with every committee and to bring all that together. Although I would like that to be done, I believe that it would be asking too much of any Opposition party to do it.

Furthermore, when members of local councils consider spending proposals, they have the help of council officials who provide detailed answers. Such detailed information is not available to Opposition members of Parliament. In councils, it is possible for opposition members to formulate cogent, rational alternative budgets that stand up to analysis. That is not possible in the Parliament. If Wendy Alexander wished to go down that road, I would be pleased to travel along it with her.

We have heard about Peter Pan, but Peter Pan was detached from reality; he never grew up. The Executive’s economic policies are not grown up. Wendy Alexander told us about the whole panoply of Never-Never Land, but she should come over to our policies, or she will be like a Wendy house—an empty house at the bottom of the garden—rather than someone who is building real alternatives such as tax cutting, better outputs and better public services.

16:18

Jim Mather (Highlands and Islands) (SNP): I am happy to close for the SNP. As a member of the Finance Committee, I acknowledge that some progress has been made to evolve what remains an expenditure-only process. However, it still lacks top-level targets, which the Finance Committee and its adviser have advocated that it should include. The lower-level targets are not as outcome oriented as we would like them to be or as they should be. That is perhaps understandable, given the new light that the Federation of Small Businesses has just shed on the key outcomes. Scotland finishes bottom out of 10 small countries and has the lowest life expectancy of 24 Organisation for Economic Co-operation and Development countries.

In spite of the fact that the FSB report relied on gilded lilies, it produced poor results that are totally at odds with Scotland’s huge potential. Frankly, I think that looking at gross domestic product per capita is inappropriate for a branch economy with population decline. Also, what the report says about life expectancy ignores the wide disparity in the figures and hides the fact that affluent retirees are coming back to Scotland and boosting the average. The educational attainment value that it includes is inappropriate, as we should really consider the productive retention of our educated and skilled people, whom we are currently exporting. Indeed, in looking at labour market participation, the report ignores migration and the large proportion of economically inactive people who would like to join the world of work. However, the document points the way and I am confident that, next time round, more organisations will come forward with harder facts and stronger recommendations that are capable of withstanding real-world scrutiny.

I want to talk about the real world. I totally reject Never-Never Land; a real world, with an interdependence of equals, is out there and is waiting for Scotland. It is the real world as measured on the Laffer curve. I say to George Lyon that it is one in which reducing tax rates works. It is the real world to which Sweden, Finland, Greece, Portugal and Ireland point us. Those countries have reduced their corporate tax rates by 50 per cent over the 10 years to 2000 and yet have seen their tax take boom and the proportion of tax that is corporation tax increase by 87 per cent. The model that those countries make is one that countries such as Slovakia, Slovenia, Estonia and Romania are queuing up to follow.

In the time that remains to me, I will focus on some specifics of the budget. At a recent meeting of the Finance Committee, I asked the Deputy Minister for Finance and Public Service Reform to confirm that the efficiency savings are calculated “net of IT costs, possible redundancy costs and other capital equipment costs”.

Tavish Scott replied by saying:

“No, I do not think that they are net of such figures.”—[Official Report, Finance Committee, 1 February 2005; c 2284.]

That reply exposed a misunderstanding or a cultural and procedural difference between the world of business and the world of government. I ask the minister today to expand on what he said and confirm whether the IT costs, possible redundancy costs and other capital equipment costs are budgeted. Are they sitting under departmental headings waiting to be consumed?

I am equally keen to express my dissatisfaction with a process that is so unlike the world of business as to have lost much that is of value. In the business world, the proposers of planned savings, on being supported by management, would receive a budget with which to achieve the savings. They would be expected to account for the savings net of the cost of achieving the new levels of operational efficiency. Effort would then be deployed to monitor and record the extent to which the savings were realised. The characteristics of such a process are a continuous—indeed, often a mundane—search for efficiency; openness and accountability; cash consciousness; competitive focus; and ephemerality. It is not possible to carry forward the previous year’s savings as a rolling total. Those are not characteristics that are fulsomely present in the recent efficient government initiative.
In the world of business, the idea that one can claim gross savings—devoid of their costs—and spend the total proceeds on other activity in the same business cycle and in the same department is inconceivable, no matter how worthy the cause. Equally, the idea that savings are simply to be made by squeezing the current model a bit more tightly or by automating existing procedures is not recommended. That idea is just as likely to create tensions and do damage.

The savings that work in modern organisations are those that get the full buy-in of all the people involved and that result in re-engineered approaches to the delivery of services. That is what we need to see more of. We also need to see a focus that everyone involved—most important of all, the Scottish taxpayer—finds credible.

16:24

The Deputy Minister for Finance and Public Service Reform (Tavish Scott): It is my pleasure to wind up the final debate on the 2005-06 budget. The debate marks the end of the Parliament’s deliberations and the real start to the plans that the Executive announced last September at the conclusion of the spending review 2004.

A number of important points have been raised in the debate about the process, the significant amounts of money that the budget contains and the need to meet the priorities of people throughout Scotland. It is important to recognise—indeed, I am sure that Mr Morgan does so—that budget roadshows are one of the highlights of the ministerial year. We learn much from them. The debate in committee is also important. No minister undertakes the scrutiny to which all of us are put with anything other than very serious consideration, which is as it should be.

Des McNulty was right to illustrate the sheer scale of budgetary growth that has come about since 1999 and which it is our responsibility to deliver. By the end of the current settlement period, core funding for local authorities will have increased by 55 per cent since 1999-2000. Over the next three years of the 2004 spending review period, there will be a 30 per cent increase in funding for further and higher education; a 47 per cent increase in transport spending to develop the infrastructure and fund new concessionary fare schemes; and a 35 per cent increase in funding for affordable housing by 2007-08. Health spending will reach more than £10 billion by 2007-08 to fund improvements in waiting times and commitments to primary care and health promotion. Those are all investments in the long term to ensure that spending matches priorities, meets the partnership commitments and builds a better Scotland.

We have taken matters forward through the budget process, under the scrutiny of Parliament, as is correct. In responding to points that have been raised by members, I think that it is important to recognise that spending on capital and resource is long term. Andrew Arbuckle, who is a new member of the Finance Committee, will recognise that the capital investment plan that will be announced shortly by Tom McCabe will give the long-term perspective that the Finance Committee and Parliament have requested of this Administration. Of course, Parliament will hold finance ministers to account over the period of the plan. The Executive’s action is in direct response to some of the concerns that have been expressed about the need for a long-term perspective.

Mr Ballard of the Greens raised what he saw as the obsession with the Scottish economy. Presumably he therefore criticises our objective of moving into the top quartile of OECD countries and is not satisfied that we want to build on the second highest employment levels in Europe. People being in jobs and creating wealth may be unknown concepts for the Greens, but I hope that even they would accept that the “Framework for Economic Development in Scotland” and “A Smart, Successful Scotland” define economic growth in terms of economic sustainability. If we are to plead guilty to anything, this Administration pleads guilty to an obsession with growing the Scottish economy.

Mr Monteith’s entertaining tour de force came somewhat unstuck on the basis of his spending commitments. He has been keen to criticise the SNP and, in his latter remarks, this Administration for spending commitments. However, if I got them right, he committed his party to spending £100 million more on roads and to funding 1,500 more police officers, which did not square with his “everything was all right prior to 1997” picture, because if we now have record police numbers, it is curious that he is committing his party to 1,500 more.

Mr Monteith also committed his party to a council tax cut of £614 million, all to be covered, we are led to understand, by the commitment that Mr Letwin has apparently given him that he can keep all the consequentials of the £35 billion of public spending cuts to which the Tories are now committed. It strikes the Parliament that the Conservatives, as usual, cannot have it both ways. The efficient government gains are built into our budgets. It is not possible to have efficient government aims built in and increases in spending. The Conservative position is a fraudulent one.

Mr Morgan made many protestations about the tax take, but before I get to that I must mention oil. He is keen to mention oil and recycle the old “It’s
Scotland’s oil” routine. I remind him that many moons ago, when Winnie Ewing stood up in a hostelry in Lerwick and said, “It’s our oil,” she was tapped on the shoulder by a fisherman from my constituency who said, “Actually, it’s our oil.” The SNP has not coped with that since.

We look forward to the work of implementing the budget—which will come into effect in just under two months—and the commitments that it will fund. We look forward to the modernisation of our universities and colleges, enhancing our research capabilities and increasing participation, particularly by communities that have not previously benefited from higher and further education. We look forward to the major developments that are planned for our transport network, the new rail links and better-quality roads. We look forward to the development of our new school buildings, focusing our plans for Scotland’s infrastructure, enhancing our asset base, providing the basics that business needs to expand and growing our economy.

Growing our economy is the Administration’s top priority, and the budget will do that. It will deliver excellent public services; support stronger, safer communities; and develop a more confident and democratic Scotland. It is a budget for enterprise, opportunity and fairness, and I commend it to the Parliament.
The Presiding Officer: The second question is, that motion S2M-2359, in the name of Tom McCabe, on the Budget (Scotland) (No 2) Bill, be agreed to. Are we agreed?

Members: No.

The Presiding Officer: There will be a division.

FOR
Adam, Brian (Aberdeen North) (SNP)
Alexander, Ms Wendy (Paisley North) (Lab)
Arbuckle, Mr Andrew (Mid Scotland and Fife) (LD)
Baillie, Jackie (Dumbarton) (Lab)
Baker, Richard (North East Scotland) (Lab)
Barrie, Scott (Dunfermline West) (Lab)
Boyack, Sarah (Edinburgh Central) (Lab)
Brankin, Rhona (Midlothian) (Lab)
Brown, Robert (Glasgow) (LD)
Butler, Bill (Glasgow Anniesland) (Lab)
Chisholm, Malcolm (Edinburgh North and Leith) (Lab)
Craigie, Cathie (Cumbernauld and Kilsyth) (Lab)
Crawford, Bruce (Mid Scotland and Fife) (SNP)
Curran, Ms Margaret (Glasgow Bailleulston) (Lab)
Deacon, Susan (Edinburgh East and Musselburgh) (Lab)
Eddie, Helen (Dunfermline East) (Lab)
Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)
Ewing, Mrs Margaret (Moray) (SNP)
Fabiani, Linda (Central Scotland) (SNP)
Ferguson, Patricia (Glasgow Maryhill) (Lab)
Finnie, Ross (West of Scotland) (LD)
Gibson, Rob (Highlands and Islands) (SNP)
Gillon, Karen (Clydesdale) (Lab)
Glen, Marilyn (North East Scotland) (Lab)
Godman, Trish (West Renfrewshire) (Lab)
Gorrie, Donald (Central Scotland) (LD)
Grahame, Christine (South of Scotland) (SNP)
Henry, Hugh (Paisley South) (Lab)
Home Robertson, John (East Lothian) (Lab)
Hyslop, Fiona (Lothians) (SNP)
Ingram, Mr Adam (South of Scotland) (SNP)
Jackson, Dr Sylvia (Stirling) (Lab)
Jackson, Gordon (Glasgow Govan) (Lab)
Jamieson, Cathy (Carrick, Cumnock and Doon Valley) (Lab)
Jamieson, Margaret (Kilmarnock and Loudoun) (Lab)
Kerr, Mr Andy (East Kilbride) (Lab)
Lamont, Johann (Glasgow Pollok) (Lab)
Livingstone, Marilyn (Kirkcaldy) (Lab)
Lochhead, Richard (North East Scotland) (SNP)
Lyon, George (Argyll and Bute) (LD)
MacAskill, Mr Kenny (Lothians) (SNP)
Macdonald, Lewis (Aberdeen Central) (Lab)
Macintosh, Mr Kenneth (Eastwood) (Lab)
Maclean, Kate (Dundee West) (Lab)
Macmillan, Maureen (Highlands and Islands) (Lab)
Martin, Paul (Glasgow Springburn) (Lab)
Marwick, Tricia (Mid Scotland and Fife) (SNP)
Mather, Jim (Highlands and Islands) (SNP)
Matheson, Michael (Central Scotland) (SNP)
Maxwell, Mr Stewart (West of Scotland) (SNP)
May, Christine (Central Fife) (Lab)
McAveety, Mr Frank (Glasgow Shettleston) (Lab)
McCabe, Mr Tom (Hamilton South) (Lab)
McConnell, Mr Jack (Motherwell and Wishaw) (Lab)
McFee, Mr Bruce (West of Scotland) (SNP)
McMahon, Michael (Hamilton North and Bellshill) (Lab)
McNeill, Pauline (Glasgow Kelvin) (Lab)
McNulty, Des (Clydebank and Milngavie) (Lab)
Morgan, Alasdair (South of Scotland) (SNP)
Morrison, Mr Alasdair (Western Isles) (Lab)
Muldoon, Bristow (Livingston) (Lab)
Mulligan, Mrs Mary (Linlithgow) (Lab)
Munro, John Farquhar (Ross, Skye and Inverness West) (LD)
Murray, Dr Elaine (Dumfries) (Lab)
Oldfather, Irene (Cunninghame South) (Lab)
Peacock, Peter (Highlands and Islands) (Lab)
Peadie, Cathy (Falkirk East) (Lab)
Pringle, Mike (Edinburgh South) (LD)
Purvis, Jeremy (Tweeddale, Ettrick and Lauderdale) (LD)
Radcliffe, Nora (Gordon) (LD)
Robson, Euan (Roxburgh and Berwickshire) (LD)
Scott, Tavish (Shetland) (LD)
Smith, Elaine (Cathcart) (Lab)
Smith, Ian (North East Fife) (LD)
Smith, Margaret (Edinburgh West) (LD)
Stephen, Nicol (Aberdeen South) (LD)
Stevenson, Stewart (Banff and Buchan) (SNP)
Stone, Mr Jamie (Caithness, Sutherland and Easter Ross) (LD)
Sturgeon, Nicola (Glasgow) (SNP)
Swinburne, John (Central Scotland) (SSCUP)
Swinney, Mr John (North Tayside) (SNP)
Wallace, Mr Jim (Orkney) (LD)
Watson, Mike (Glasgow Cathcart) (Lab)
Welsh, Mr Andrew (Angus) (SNP)
White, Ms Sandra (Glasgow) (SNP)
Whitefield, Karen (Airdrie and Shotts) (Lab)
Wilson, Allan (Cunninghame North) (Lab)

AGAINST
Baird, Shiona (North East Scotland) (Green)
Ballance, Chris (South of Scotland) (Green)
Ballard, Mark (Lothians) (Green)
Byrne, Ms Rosemary (South of Scotland) (SSP)
Canavan, Dennis (Falkirk West) (Ind)
Curran, Frances (West of Scotland) (SSP)
Fox, Colin (Lothians) (SSP)
Harper, Robin (Lothians) (Green)
Harvie, Patrick (Glasgow) (Green)
Kane, Rosie (Glasgow) (SSP)
Leckie, Carolyn (Central Scotland) (SSP)
Ruskell, Mr Mark (Mid Scotland and Fife) (Green)
Scott, Eleanor (Highlands and Islands) (Green)
Sheridan, Tommy (Glasgow) (SSP)

ABSTENTIONS
Aitken, Bill (Glasgow) (Con)
Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)
Douglas-Hamilton, Lord James (Lothians) (Con)
Fergusson, Alex (Galloway and Upper Nithsdale) (Con)
Fraser, Murdo (Mid Scotland and Fife) (Con)
Gallie, Phil (South of Scotland) (Con)
Goldie, Miss Annabel (West of Scotland) (Con)
Johnstone, Alex (North East Scotland) (Con)
McGrigor, Mr Jamie (Highlands and Islands) (Con)
McLetchie, David (Edinburgh Pentlands) (Con)
Monteith, Mr Brian (Mid Scotland and Fife) (Con)
Mundell, David (South of Scotland) (Con)
Scanlon, Mary (Highlands and Islands) (Con)
Tosh, Murray (West of Scotland) (Con)

The Presiding Officer: The result of the division is: For 87, Against 14, Abstentions 14.

Motion agreed to.

That the Parliament agrees that the Budget (Scotland) (No.2) Bill be passed.