Finance Committee

4th Report, 2014 (Session 4)

Annual Report 2013-14

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Finance Committee

Remit and membership

Remit:

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

   (a) any report or other document laid before the Parliament by members of
   the Scottish Government containing proposals for, or budgets of, public
   expenditure or proposals for the making of a tax-varying resolution, taking
   into account any report or recommendations concerning such documents
   made to them by any other committee with power to consider such
   documents or any part of them;

   (b) any report made by a committee setting out proposals concerning public
   expenditure;

   (c) Budget Bills; and

   (d) any other matter relating to or affecting the expenditure of the Scottish
   Administration or other expenditure payable out of the Scottish
   Consolidated Fund.

2. The Committee may also consider and, where it sees fit, report to the
Parliament on the timetable for the Stages of Budget Bills and on the handling of
financial business.

3. In these Rules, "public expenditure" means expenditure of the Scottish
Administration, other expenditure payable out of the Scottish Consolidated Fund
and any other expenditure met out of taxes, charges and other public revenue.

(Standing Orders of the Scottish Parliament, Rule 6.6)
Membership:

Gavin Brown
Malcolm Chisholm
Kenneth Gibson (Convener)
Jamie Hepburn
John Mason (Deputy Convener)
Michael McMahon
Jean Urquhart

Committee Clerking Team:

Clerk to the Committee
Jim Johnston

Senior Assistant Clerk
Catherine Fergusson

Assistant Clerk
Alan Hunter

Committee Assistant
Parminder Kaur
Thomas Williams
The Committee reports to the Parliament as follows—

Introduction

1. This report covers the work of the Finance Committee during the parliamentary year from 11 May 2013 to 10 May 2014. The Committee had a busy work programme in its third year of this fourth parliamentary session. The Committee’s main areas of work were on the annual budget process and the financial powers arising from the Scotland Act 2012 along with the consideration of financial memoranda accompanying Bills.

Meetings

2. During the year the Committee met 32 times. No meetings were held entirely in private but 22 meetings included items taken in private. The items taken in private included consideration of draft Committee reports and work programme issues. All Committee meetings were held at the Scottish Parliament except the external meeting in Arbroath (see below).

Work programme

Budget scrutiny

3. The Finance Committee leads the Parliament’s scrutiny of the Scottish Government’s spending proposals through the annual budget process.

4. The Scottish Government published its draft budget for 2014-15 on 11 September 2013. However, the Committee’s consideration began in June when it agreed to focus its scrutiny of the draft budget on the Scottish Government’s National Performance Framework (NPF).

5. The Committee issued a call for evidence before summer recess inviting the views of interested parties on the proposals and priorities they would like to see reflected in the draft budget. Respondents were invited to focus specifically on the NPF, on its targets and indicators and on the role they thought it should play in setting budgetary priorities and measuring their impacts.
6. The Committee received 34 pieces of written evidence and eight additional late or supplementary submissions. This assisted the Committee in identifying a number of key themes and issues on which it then focused during its subsequent oral evidence sessions.

7. As part of its scrutiny of the draft budget, the Committee heard oral evidence from a number of organisations representing the public, private and third sectors as well as from academics and economists before taking oral evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth on 4 November.

8. The Committee took oral evidence from the Scottish Futures Trust on 30 October on topics including capital investment through the Non-Profit Distributing Programme and the Government’s asset management programme.

9. To assist other committees’ scrutiny of the draft budget, the Committee issued budget scrutiny guidance to subject committees, the Equal Opportunities Committee and the European and External Relations Committee.

10. The Committee’s report on the draft budget was published on 9 December and the Chamber debate on the report took place on 19 December. The Scottish Government published its response to the report on 22 January.

11. The Budget (Scotland) (No.3) Bill was introduced in the Parliament on 17 January 2014 and the Stage 1 debate took place on 22 January. The Committee then took oral evidence on the Bill at Stage 2 from the Cabinet Secretary for Finance, Employment and Sustainable Growth on 29 January. The Bill was subsequently debated and passed by the Parliament on 5 February.

Implementation of the financial powers arising from Scotland Act 2012

12. Throughout the parliamentary year the Committee continued its scrutiny of the implementation of the financial powers arising from the Scotland Act 2012 (“the Act”).

13. The Committee took oral evidence from the Rt. Hon. Danny Alexander MP, Chief Secretary to the Treasury, on 4 September on the implementation of the Act, including on the mechanism for the resulting adjustment to the block grant.


15. The Committee took evidence from the Office for Budget Responsibility on 23 April on the forecasting of receipts from taxes to be devolved from April 2015 as well as on the wider UK economic and fiscal outlook.

16. The Committee then took oral evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth on the implementation of the financial powers arising from the Act on 7 May.

17. The Committee will continue to take evidence on this topic as progress continues towards implementation from April 2015.
Inquiry on proposals for a Scottish Fiscal Commission

18. In May 2013 the Cabinet Secretary for Finance, Employment and Sustainable Growth suggested that Scotland would require an independent fiscal commission. The Committee subsequently issued a call for evidence in response to which it received 13 written submissions.

19. The Committee published its report on Proposals for a Scottish Fiscal Commission on 7 February 2014. The Government response was received on 24 April.

Scotland’s Public Finance Post-2014

20. The Committee agreed to hold a series of evidence sessions between April and June 2014 to consider evidence relating to Scotland’s public finances post-2014. Witnesses who gave evidence included a number of economists and academics.

Bills

21. The Committee was lead committee for consideration of the following Bills—

- Land and Buildings Transaction Tax (Scotland) Bill
- Landfill Tax (Scotland) Bill
- Revenue Scotland and Tax Powers Bill

Land and Buildings Transaction Tax (Scotland) Bill

22. The Committee continued its scrutiny of the LBTT Bill in May, taking oral evidence on 22 May and considering the Bill at Stage 2 on 29 May and 5 June. The Bill subsequently received royal assent on 31 July.

Landfill Tax (Scotland) Bill

23. The Committee took oral evidence on the Landfill Tax (Scotland) Bill at its meetings on 5, 12 and 19 June and published its Stage 1 report on 12 September. The Government response was received on 28 October.

24. The Committee considered the Bill at Stage 2 on 20 November and the Bill subsequently received royal assent on 21 January 2014.

Revenue Scotland and Tax Powers Bill

25. The Committee issued a call for evidence on the Revenue Scotland and Tax Powers Bill on 17 December in response to which 21 written responses were received.

26. The Committee took oral evidence on the Bill at Stage 1 between February and April before publishing its Stage 1 report on the Revenue Scotland and Tax Powers Bill on 2 May. The Government response was published on 14 May and the Committee expects to consider the Bill at Stage 2 in June.

Financial Memoranda

27. The remit of the Finance Committee includes the consideration of the estimated financial implications of legislation through the scrutiny of financial memoranda accompanying all bills.
28. The Committee considered the following financial memoranda—

- Bankruptcy and Debt Advice (Scotland) Bill
- Children and Young People (Scotland) Bill
- Courts Reform (Scotland) Bill
- Criminal Justice (Scotland) Bill
- Defective and Dangerous Buildings (Recovery of Expenses) (Scotland) Bill
- Disabled Persons Parking Badges (Scotland) Bill
- Historic Environment Scotland Bill
- Housing (Scotland) Bill
- Marriage and Civil Partnership (Scotland) Bill
- Public Bodies (Joint Working) (Scotland) Bill
- Regulatory Reform (Scotland) Bill
- Scottish Independence Referendum Bill
- Tribunals (Scotland) Bill
- Victims and Witnesses (Scotland) Bill

29. In addition, the Committee began its consideration of the following financial memoranda—

- Assisted Suicide (Scotland) Bill
- Food (Scotland) Bill

Subordinate legislation
30. The Committee considered and reported on the following affirmative Scottish Statutory Instruments—

- Budget (Scotland) Act 2013 Amendment Order 2013
- Budget (Scotland) Act 2013 Amendment Order 2014

Engagement and innovation
31. The Committee played a key role in the Parliament Day in Arbroath. As part of its budget scrutiny, the Committee met with local business groups and third sector organisations to gauge views on the Draft Budget 2014-15 before taking oral evidence on it from the Cabinet Secretary for Finance, Employment and Sustainable Growth.

Equalities
32. The Committee took evidence from organisations such as the Scottish Women’s Budget Group, trades unions, Oxfam Scotland and the Carnegie Trust on the impact of the draft budget on different groups within society and heard from local organisations in Arbroath about the equalities impacts of welfare reform and issues faced by young people in attempting to gain entry to employment, further education or training.

33. The Committee also continued its scrutiny of change funds for early years and older people, taking evidence from witnesses including the Joint Improvement Team and the Minister for Children and Young People.
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